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ECONOMIC ASPECTS OF AZERBAIJAN–CHINA COOPERATION IN THE CONTEMPORARY PERIOD

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Abstract. Expanding mutually beneficial cooperation with the world's leading states is currently one of the key directions of the foreign policy of the Republic of Azerbaijan. In this context, relations with the People's Republic of China (PRC) are of particular importance. Historically, China maintained close economic, trade, and cultural ties with the South Caucasus region, of which Azerbaijan is a part, located along the Great Silk Road. Following the incorporation of the region into the Russian Empire in the early nineteenth century, and especially during the existence of the USSR, these ties were completely severed. Profound changes that occurred in the world and the region at the end of the twentieth century, the collapse of the Soviet Union, and the independence of the South Caucasus republics created new conditions for the restoration of these relations. The favorable geographical position of the South Caucasus and the rich oil and gas resources of the Caspian Sea increased China's interest in the region, as was the case with other global actors. In recent years, the PRC has begun implementing large-scale projects in the region in order to strengthen its positions. Naturally, while pursuing its policy toward the South Caucasus, China seeks to take into account the interests of both neighboring states with traditionally strong influence in the region (Russia, Turkey, Iran) and extra-regional powers such as the EU and the United States making significant efforts to extend their influence there.

In the 1990s, the South Caucasus was not of major geopolitical interest to the PRC, and China focused primarily on expanding its economic presence in the region. After consolidating its position in geographically closer Central Asia, China began to incorporate the South Caucasus into its sphere of interests and to establish close political relations with the states of the region. These relations are primarily based on the South Caucasus's favorable transport and communication infrastructure and its abundant energy resources. Beijing seeks to achieve its objectives both through the implementation of various infrastructure projects and through investment. The largest of these projects is the Belt and Road Initiative (BRI). China's main goal in implementing this initiative is to strengthen its position in post-Soviet countries, including the South Caucasus. As a result of this policy, China has, within a relatively short period, become one of the key trade and economic partners of the South Caucasus countries. At the same time, the states of the region regard the strengthening of relations with the PRC as an important factor in safeguarding their economic interests, particularly in terms of diversifying foreign economic and trade relations.

Since the launch of the Belt and Road Initiative in 2013, China's economic presence in the South Caucasus has gradually expanded. The purpose of this article is to trace the dynamics of China's economic penetration into the South Caucasus countries especially the Republic of Azerbaijan and, based on an analysis of official Chinese and Azerbaijani statistical data on trade, investment, lending, and other areas, to assess the current scale of China's economic involvement in the South Caucasus, including Azerbaijan.

Key words: Republic of Azerbaijan, People's Republic of China, South Caucasus, bilateral relations, economic cooperation, transport and communication potential, "Middle Corridor," "Belt and Road Initiative".

Introduction. One of the key prerequisites for the socio-economic development of any country is its economic cooperation with other states. From this perspective, the relations of the Republic of Azerbaijan with the People's Republic of China (PRC), one of the world's leading economies, are of particular importance.

The growing influence of China across the entire Eurasian space has generated not only economic but also geopolitical consequences. The South Caucasus is increasingly emerging as a new focal point

of this influence. China is gradually extending to the South Caucasus the model it previously tested in its immediate neighborhood, Central Asia namely, the consolidation of its position through infrastructure projects and investment. This trend has been further reinforced by ongoing global developments and processes, including the West-Russia confrontation, the war in Ukraine, and the crisis in the Middle East, as well as by the growing international interest in China's economic development experience. At the same time, the Belt and Road Initiative has become an important instrument of China's influence in the region (Silver, 2022).

Through these projects and initiatives, China has significantly strengthened its positions in the infrastructure and energy sectors of the South Caucasus countries. By signing numerous agreements with each of the South Caucasus states, China also demonstrates an individualized and differentiated approach toward each of them. Nevertheless, the core objective enhancing economic and political influence in the region remains unchanged. *China views the South Caucasus not only as a strategic component of the "Middle Corridor" connecting Asia and Europe, but also as a political arena of competition amid ongoing geopolitical transformations.*

In recent years, Beijing's increasing attention to the South Caucasus has become more evident. This is also confirmed by the growing dynamics of bilateral relations between Azerbaijan and China. From the perspective of defining the future development trajectories of both the South Caucasus and the Republic of Azerbaijan, the study of these relations is of particular relevance. This article examines the stages and prospects of the development of relations between the Republic of Azerbaijan and the People's Republic of China in the contemporary period.

Main Part. Diplomatic relations between the Republic of Azerbaijan and the People's Republic of China were established on 2 April 1992. The official visit of the President of the Republic of Azerbaijan, Heydar Aliyev, to the PRC in 1994 laid the foundation for the development of bilateral relations. Over a 34 year period, political, economic, and cultural ties between the two countries have developed dynamically. The official visit of President Ilham Aliyev to China in 2005 and his state visit in 2015 played a significant role in advancing bilateral relations. In the following years, Ilham Aliyev paid four additional visits to the PRC. These visits not only deepened diplomatic and political contacts between the two countries but also had a positive impact on the further expansion of economic cooperation.

Following the signing of a number of important documents during President Ilham Aliyev's visit to the PRC in 2015 including the Memorandum of Understanding on the joint implementation of the "Silk Road Economic Belt" between Azerbaijan and China substantial progress was achieved by both sides. This cooperation clearly demonstrates the mutual interest of the two parties. China has sought to expand systematic relations with the CIS countries by implementing its strategic objectives, particularly through initiatives such as the Belt and Road Initiative and the Silk Road Economic Belt, thereby aiming to maximize its influence in the South Caucasus. Azerbaijan, in turn, has sought to leverage the advantages of its unique geographical location to position itself as a transport and logistics hub between Europe and Asia, placing high expectations on the deepening of relations with China.

In line with these objectives, the Republic of Azerbaijan also emerged as an initiator of the concept of the "Great Silk Road." In September 1998, an international conference held in Baku adopted decisions on the restoration and development of this route. The primary aim of the project was to develop and implement action programs focused on enhancing trade, economic, and transport relations among the countries of the region.

During this period, Azerbaijan-China relations primarily covered three key areas: transport corridors, including trade and logistics; energy; and the development of new technologies. In subsequent years, these areas remained the main directions of development in Azerbaijan-China relations.

The second half of the 2010s marked an important stage in the development of cooperation between the two states in the field of transport and logistics. In his speech at the Munich Security Conference

in 2017, the President of the Republic of Azerbaijan, Ilham Aliyev, emphasized that increasing cargo transportation through Azerbaijan and across the Caspian Sea would play a crucial role in the country's economy. He noted that cargo transit is more valuable than natural resources, as natural resources will eventually be depleted, whereas a reliable and modern transport infrastructure enables a country to generate substantial revenues by utilizing its territory and invested capital. Therefore, the integration of transport infrastructure represents one of Azerbaijan's key challenges.

In 2017, Azerbaijan undertook a number of practical steps aimed at advancing cooperation in the transport and logistics sector. In April of that year, a joint venture was established between Azerbaijan Caspian Shipping Company CJSC and Kazakhstan Railways JSC to carry out freight transportation within the framework of the Trans-Caspian International Transport Route (TITR). In June 2017, during a meeting of the TITR corridor participants, a Memorandum of Cooperation was signed with the China Transport and Communications Association. Subsequently, in February 2018, a Memorandum of Cooperation was concluded between Azerbaijan Railways CJSC and the China Railway Bridge Construction Corporation.

A major milestone in this direction was the inauguration of the Baku-Tbilisi-Kars (BTK) railway on 30 October 2017 [20]. The commissioning of the BTK railway widely regarded as one of the most significant regional projects of the twenty-first century created a key junction between East and West, transforming Azerbaijan into a geoeconomic pivot in the region. This route became one of the most important corridors for transporting Chinese goods to Europe. Chinese companies were actively involved in infrastructure projects implemented in Azerbaijan, including the construction of the BTK railway. China attached particular importance to Azerbaijan in the implementation of the Belt and Road Initiative. As early as 2017, Chinese companies were participating in 12 projects carried out in Azerbaijan.

By the late 2010s, 113 companies with Chinese investment were operating in Azerbaijan in sectors such as agriculture, communications, services, and transport. Cooperation was particularly extensive in the transport and energy sectors. At the same time, Azerbaijan encouraged the redirection of Chinese investments toward the non-oil sectors of the economy. The establishment of Azerbaijan's Trade Representation in Beijing served precisely this purpose. The main areas of activity of this representation included promoting the "Made in Azerbaijan" brand in China, attracting Chinese investments into the Azerbaijani economy, and protecting the interests of Azerbaijani companies operating in China.

At the beginning of the twenty-first century, China having become the world's second-largest economy and the largest trading nation began to rapidly expand its global economic presence while pursuing an external economic and trade policy distinct from that of Western liberal democracies. Within a relatively short period, China succeeded in becoming a dominant economic power in certain countries and even entire regions, acting as a major trade partner, investor, or creditor. However, in some countries and regions, the scale of China's economic engagement has been overstated by experts and has, in reality, remained rather limited.

Following China's accession to the World Trade Organization in December 2001, its trade with countries around the world expanded rapidly, a trend that was also reflected in the intensification of trade with the South Caucasus states. According to Chinese customs statistics, between 2001 and 2020 China's trade turnover with the region increased from USD 25 million to USD 3.7 billion. Nevertheless, in the early 2020s China's position among the region's largest trading partners remained relatively modest. In 2020, despite being the world's largest trading nation and exporter, and the largest trading partner of more than 130 countries, China ranked only as the fourth-largest trading partner of all three South Caucasus states, including Azerbaijan, after the EU, Russia, and Turkey.

Although some progress was achieved in mutual trade during the first two decades of the twenty-first century, China and the South Caucasus states made limited advances in investment cooperation over the same period. China's investment activity in the region remained relatively low. According to official Chinese statistics, between 2014 and 2019 the total volume of China's foreign direct invest-

ment (FDI) in the South Caucasus did not exceed USD 700 million annually. Based on official statistics, both Chinese and national data from the South Caucasus states, China's investments in Armenia and Azerbaijan remained modest.

China's investments in Azerbaijan were concentrated primarily in the oil sector. For example, the Chinese company CNPC has been operating in Azerbaijan since 2002. In that year, through its subsidiaries, CNPC acquired a 30% stake in the Kursangi-Garabaghli oil field and a 50% stake in Salyan Oil Ltd. for USD 52 million. In 2003, CNPC obtained a 31.41% stake in the development project of the Gobustan oil field (Cohen, 2017).

In addition to the oil sector, Chinese companies invested more than USD 30 million in trade, export support, and after-sales services in Azerbaijan. Various small Chinese private enterprises and individual traders were also active in the country, including restaurants, retail outlets, storage and processing facilities, and other businesses. However, compared with investments from other foreign countries, the overall volume of China's investments in Azerbaijan's oil industry remained relatively modest.

From the early 2020s onward, the situation began to change gradually. In April 2019, within the framework of the Second Belt and Road Forum for International Cooperation held in Beijing, Chinese and Azerbaijani companies signed ten investment agreements with a total value of USD 821 million. These agreements included the construction of a tire manufacturing plant in the Sumgait Chemical Industrial Park with the China National Electric Engineering Corporation (CNEEC) expected to acquire a 90% stake in the USD 300 million project as well as the construction of a greenhouse complex in the Kurdamir district and agro-industrial parks in the Quba, Goychay, and Khachmaz districts of Azerbaijan. In addition, the parties signed an agreement on the establishment of an Asia–Europe telecommunications corridor under the initiative of the Azerbaijan Digital Hub, aimed at organizing the annual transit of 2,500 containers through Azerbaijani territory along the Trans-Caspian International Transport Corridor (Azerbaijani and Chinese companies in Beijing sign contract worth \$821 million, 2019).

It is important to note, however, that not all of the ten signed agreements were implemented, despite their official announcement. Many of the investments promised by Beijing, including those related to the Belt and Road Initiative, did not materialize in the region, and a significant number of the announced joint projects remained at the planning stage.

In recent years, the Government of Azerbaijan has made substantial investments in infrastructure projects along the Trans-Caspian Transport Corridor. Key investment projects have included the construction of the new port in Alat, the Baku-Tbilisi-Kars railway, and the rehabilitation of the E-60 highway between Baku and Ganja, extending further to the Georgian border; these projects have been successfully completed (South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study, 2020).

Overall, during the past two decades, 21,000 kilometers of roads have been constructed and rehabilitated in Azerbaijan, along with 335 bridges and interchanges, 45 tunnels, 163 overpasses and underpasses, more than 1,500 kilometers of new railways, and the repair of 1,800 kilometers of existing railway lines (Ilham Aliyev was interviewed by China's Xinhua News Agency, 2025).

It is well known that in recent years the Government of the People's Republic of China has put forward numerous initiatives aimed at strengthening the global economy. Acting in line with its national interests, the Republic of Azerbaijan has been among the countries supporting these initiatives and has actively participated in related projects. Azerbaijan became one of the founding members of the Asian Infrastructure Investment Bank (AIIB) established at China's initiative. As early as 2019, ahead of his official visit to the PRC, President of the Republic of Azerbaijan Ilham Aliyev, in an interview with China's state news agency Xinhua, invited Chinese companies to increase investments in Azerbaijan's industrial production, information technologies, agriculture, and several other sectors.

Owing to the positive dynamics in bilateral trade, trade turnover reached USD 2.18 billion in 2019, while imports from China to Azerbaijan increased by 40%. As a result, Azerbaijan became China's

largest trading partner in the South Caucasus. In 2018, the Trade Representation of the Republic of Azerbaijan in the PRC began operating, and Azerbaijani Trade Houses were opened in the Chinese cities of Urumqi, Lanzhou, and Shanghai. Azerbaijan has organized trade missions to various regions of China. Chinese companies participate in the implementation of industrial projects in Azerbaijan, and Chinese ICT companies also operate successfully in the country.

At the same time, it should be noted that, overall, China has not yet participated as a major investor or creditor in transport infrastructure development projects in the South Caucasus. This stands in sharp contrast to China's high level of activity in transport infrastructure development in other developing regions such as Central Asia, Africa, Southeast Asia, and Latin America. In Azerbaijan, for example, most infrastructure projects have been financed not by China, but by the Azerbaijani government or by international development banks such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the Asian Infrastructure Investment Bank (AIIB), and the European Investment Bank (EIB).

To date, the South Caucasus countries have exercised caution in borrowing from China when implementing national and regional infrastructure projects. Unlike many developing countries and particularly some Central Asian states with significant debt exposure to China the level of debt owed by South Caucasus countries to China remains relatively low.

In subsequent years, the steps taken by both states in this direction led to an elevation of existing relations to a higher level, in line with the interests of the Azerbaijani and Chinese peoples.

Within the context of expanding economic cooperation between the two countries, the modernization of railway and maritime infrastructure undertaken by the Republic of Azerbaijan has been of particular importance. In this regard, special mention should be made of the commissioning, in May 2018, of a new international port on the Caspian Sea with an annual cargo handling capacity of 15 million tons, which can be expanded to 25 million tons if necessary. The Baku-Tbilisi-Kars (BTK) railway line, connecting Asia and Europe, represents the shortest transport route for cargo shipments from China to Europe and back. In 2018 alone, 19 freight trains were operated via the BTK railway, and cargo volumes increased significantly in subsequent years.

Making use of its favorable geographical location including its position along the historic Silk Road the Republic of Azerbaijan has declared as a strategic objective its transformation into one of the key international transport hubs by attracting substantial investments into the infrastructure and transport sectors. Both the East-West and North-South transport corridors pass through Azerbaijan's territory. Azerbaijan actively participates in both projects and has put forward a number of initiatives in this regard.

At the Second Belt and Road Forum for International Cooperation, held in Beijing in April 2019, Azerbaijan's role and significance in the implementation of the proposed initiatives were once again reaffirmed. The realization of these initiatives has also made an important contribution to the development of economic cooperation between countries and regions, as well as to the promotion of stability and security. The project serves noble objectives such as strengthening intercultural and inter-civilizational relations, enhancing economic development, fostering national prosperity, and promoting people-to-people contacts.

The cautious approach of South Caucasus countries toward borrowing from China is one of the reasons for China's limited participation in the region's infrastructure projects. Another reason is that, for Beijing, the Trans-Caspian Transit Corridor does not rank among the primary or priority transit routes and plays a secondary role within the broader system of transit corridors linking China with Europe. China views it not as an alternative to the New Eurasian Land Bridge or the China-Mongolia-Russia corridor, but rather as a complementary route. Russian expert K. I. Tasits attributes the low volume of Chinese lending to the region to the limited activity of Chinese financial institutions, which prefer to avoid assuming binding financial obligations.

According to data from the State Statistical Committee of the Republic of Azerbaijan, in 2024 the People's Republic of China ranked fourth among Azerbaijan's main trading partners (in thousand USD), following Italy, Turkey, and Russia, and for the first time became Azerbaijan's largest source of imports. Total trade turnover with China amounted to USD 3,744,754.1 thousand (7.9% of total foreign trade turnover), imports reached USD 3,725,054.1 thousand (17.7%), while exports totaled only USD 19,700.0 thousand (0.07%). As can be seen, the negative trade balance within total trade turnover was extremely high, reaching 99.5% (Azərbaycan rəqəmlərdə, 2025, p. 172).

The volume of commodity turnover between Azerbaijan and China increased by 20.7 percent in 2024 compared to the previous year, reaching USD 3.744 billion. China also emerged as the leading country in terms of imports, accounting for 17.69 percent of Azerbaijan's total imports. On November 24, 2024, the first freight train carrying Azerbaijani export goods was dispatched from Baku to China. Azerbaijani carpets, pomegranate juices, and other high-quality products have begun to secure a place in the Chinese domestic market.

The Intergovernmental Commission on Trade and Economic Cooperation between the two countries serves as an important mechanism for expanding bilateral economic relations, identifying promising areas of cooperation, and further strengthening them within a legal framework. By the end of 2025, ten meetings of the Commission had been held. At present, Azerbaijani trade and wine houses operate in several cities of the People's Republic of China, including Beijing, Shanghai, Urumqi, Qingdao, Chengdu, Nanjing, and Zhangjiajie. These institutions make a substantial contribution to the development of bilateral trade relations. In addition, the Azerbaijan Trade House has been established on China's well-known international online trading platform, "JD."

Currently, 375 companies with Chinese capital are registered in Azerbaijan, of which 298 are actively operating in the country. Negotiations are underway regarding the prospects for joint cooperation between Azerbaijan and China in attracting foreign direct investment in the non-oil sector, particularly in high technologies, innovation, and alternative and renewable energy.

Today, the Baku-Tbilisi-Kars railway, the North-South International Transport Corridor, and the Trans-Caspian International Transport Route (the Middle Corridor), as well as the Port of Baku, one of the largest ports on the Caspian Sea, open new prospects for realizing economic and transport opportunities within the framework of the Belt and Road Initiative. The Middle Corridor is a reliable and secure route connecting Europe and Central Asia with China via the Caspian Sea and represents the most optimal pathway for transporting goods between China and Europe in both directions. Its significance is rapidly increasing. In 2024, the volume of transit cargo transportation between Azerbaijan and China amounted to 378 thousand tons, representing an 86 percent increase compared to 2023. During 2024, a total of 287 route trains were dispatched from China to Azerbaijan under export and transit regimes via the Middle Corridor (Ilham Aliyev was interviewed by China's Xinhua News Agency, 2025).

On July 3, 2024, at the 24th Summit of the Shanghai Cooperation Organization (SCO) held in Astana, the President of the Republic of Azerbaijan, Ilham Aliyev, and the President of the People's Republic of China, Xi Jinping, signed the "Joint Declaration on the Establishment of a Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China." The Declaration envisaged the further expansion of cooperation, the strengthening of mutual interaction on international issues, and the joint promotion of regional and global peace, stability, and development. The document emphasized that bilateral relations would be developed on the basis of mutual respect, equality, trust, mutual support, mutual benefit and cooperation, respect for sovereignty and territorial integrity, non-interference in internal affairs, and the principles of peaceful coexistence (Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on the establishment of a strategic partnership was adopted in Astana, 2024).

This Declaration, which opened a new chapter in Azerbaijan-China relations, elevated the two countries to the status of official strategic partners. In subsequent years, the development of cooperation across all sectors has become one of the key directions of Azerbaijan's foreign policy. The regular holding of high-level meetings and mutual visits in recent years serves as clear evidence of this trend.

Table 1

Trade Turnover, Exports, and Imports between the Republic of Azerbaijan and the People's Republic of China (2019-2024), million USD

Year	Trade Turnover	Exports	Imports
2019	2 184 194.00	752 162.63	1 432 031.37
2020	1 846 585.02	432 760.54	1 413 824.48
2021	1 780.69	141.15	1 639.54
2022	2 159.05	72.06	2 086.26
2024	3744754,1	19700,0	3725054,1

Source: State Statistical Committee of the Republic of Azerbaijan

Azerbaijan attaches great importance to the activities of the SCO, in which China plays a leading role, and actively participates in its work. In 2016, Azerbaijan became a dialogue partner of the SCO and is considered an important member of the SCO family. It was at the SCO Astana Summit that the strategic partnership between the two countries was established. China, which chaired the SCO in 2024–2025, hosted the 25th meeting of the Council of Heads of State of SCO member countries in 2025. China's chairmanship under the slogan "Promoting the Shanghai Spirit: SCO in Action" contributed to the institutionalization of the organization and the further strengthening of its role in the international arena. Azerbaijan currently holds the status of SCO dialogue partner. Cooperation between Azerbaijan and the SCO covers issues such as combating terrorism, extremism, and separatism, ensuring regional security and stability, promoting intercivilizational dialogue, multiculturalism, and tolerance.

China and Azerbaijan, as important members of the Global South, also closely cooperate on multilateral platforms. Azerbaijan chaired the Non-Aligned Movement, the second largest international organization after the United Nations, from 2019 to 2023. This organization represents approximately 80 percent of the world's population, around 50 percent of global GDP, and nearly half of total international trade.

During President Ilham Aliyev's official visit to the People's Republic of China in 2025, a number of important bilateral documents aimed at expanding Azerbaijan-China multilateral cooperation were signed. This visit had a positive impact on deepening the strategic partnership between the Republic of Azerbaijan and the People's Republic of China.

The outcomes of the 44-day Second Karabakh War (2020), which resulted in Azerbaijan restoring its sovereignty over its entire territory, created a new geopolitical and geoeconomic environment in the South Caucasus. The region has begun transforming from a zone of competition among major powers into an independent transportation, logistics, and energy hub. At the same time, each country in the region is independently determining its own development trajectory and adapting to the new conditions in its own way.

One of the most evident results of these regional transformations has been the strengthening of Azerbaijan's role as a key transportation hub. The development of the Middle Corridor, the modernization of transport infrastructure, and the enhancement of cooperation with neighboring states have significantly expanded the country's logistics capabilities. The irreversible nature of the peace process with Armenia has substantially increased Azerbaijan's investment attractiveness, particularly in infrastructure and energy projects. This trend has also been reinforced by the significant growth of the

non-oil sector's share in the country's gross domestic product. The launch of the Zangezur Corridor is expected to further enhance the region's logistical potential. Changes in the geopolitical orientations of Georgia and Armenia, along with the diversification of their foreign economic relations, are also encouraging them to seek new development models. Peaceful settlement and the reduction of regional tensions not only create opportunities for integration into new transport routes and reduce dependence on the Russian market, but also contribute to increased inflows of investment.

A significant milestone in the development of economic relations between the Republic of Azerbaijan and the People's Republic of China was the official visit of the President of the Republic of Azerbaijan, Ilham Aliyev, to China in April 2025 (this being his sixth visit to the PRC – K.I.). During the visit, the 18-point Joint Statement on the Establishment of a Comprehensive Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China was signed. The document envisaged the expansion of cooperation not only in political, strategic, and humanitarian spheres, but also in the economic domain.

The parties agreed to strengthen the alignment of the "Belt and Road" Initiative with Azerbaijan's state development strategy on the "Revival of the Silk Road" and the Socio-Economic Development Strategy until 2030. They emphasized the need to enhance cooperation in trade, investment, green energy, and the digital economy, and decided to establish a Working Group on Investment Cooperation aimed at contributing to the high-quality development of bilateral trade and economic relations. The Joint Statement also expressed the intention to gradually expand mutual market access for environmentally friendly and high-quality agricultural products by jointly creating favorable conditions for the development of trade and economic relations. Furthermore, the parties agreed to initiate negotiations on a free trade agreement in order to ensure a high level of institutional guarantees for deepening cooperation in trade and investment.

Expressing their readiness to consistently deepen industrial cooperation and actively promote the digital transformation of industry, the two heads of state confirmed their support for strengthening and expanding commercial-based cooperation between enterprises in sectors such as petrochemicals, metallurgy, textiles, pharmaceuticals, and machinery manufacturing. They also declared their commitment to promoting the energy transition and sustainable socio-economic development of both countries, actively advancing cooperation in renewable energy, and jointly contributing to the formation of a global partnership in the field of clean energy.

The leaders of Azerbaijan and China highly assessed bilateral cooperation in the transport sector and reaffirmed their readiness to continue supporting the development of transport infrastructure, logistics, and the efficiency of freight transportation, while promoting regional connectivity. President Aliyev and President Xi Jinping welcomed the signing of the Agreement on International Multimodal Transport between the Governments of the Republic of Azerbaijan and the People's Republic of China. China expressed its readiness to cooperate with Azerbaijan and other countries along the route to establish secure, stable, and direct China–Europe–China Trans-Caspian express corridors, while consistently improving customs facilitation and the efficiency of cargo transportation.

China also reaffirmed its support for Azerbaijan's early accession to the World Trade Organization (WTO). The parties supported reforms of the international financial architecture to better reflect changes in the global economic order, advocated the liberalization and facilitation of trade and investment, opposed unilateralism, protectionism, despotism, and violations of global trade rules, and declared their joint commitment to defending the multilateral trading system for the sake of shared prosperity.

It was noted that Azerbaijan actively supports China's Global Development Initiative, Global Security Initiative, and Global Civilization Initiative, and is ready to join the "Group of Friends of the Global Development Initiative" in order to consolidate efforts to accelerate the implementation of the UN 2030 Agenda for Sustainable Development (Azerbaijan and China signed Joint Statement on Establishment of Comprehensive Strategic Partnership, 2025).

In early September 2025, the Shanghai Cooperation Organization (SCO) summit held in Yancheng with the participation of President Ilham Aliyev, as well as the military parade in Beijing marking the 80th anniversary of the end of the Second World War, demonstrated China's strong ambitions to transform into a major geopolitical and geoeconomic pole. Primarily through economic expansion, major technological breakthroughs, and the implementation of transport projects linking China with Europe, Beijing is positioning itself as a dominant Eurasian power and a key global actor in the formation of a new multipolar world order.

In 2025, China recorded one of the highest rates of foreign trade growth among the world's major economies, further consolidating its status as the world's largest trading nation. According to World Trade Organization data, China accounted for 14.5 percent of global exports and 10.5 percent of global imports. Rapid growth was observed in high-technology exports, including electric vehicles, 3D printers, and industrial robots. At the same time, China was at the forefront of green trade development in 2025, with its environmentally friendly products making a significant contribution to global climate action and the transition to green and low-carbon production in 2024. China has become the main trading partner for more than 150 countries, and the scope of its foreign trade partnerships continues to expand.

According to the General Administration of Customs of China, the country's total foreign trade volume in 2025 increased by 3.2 percent compared to 2024, reaching a record USD 6.35 trillion. China's exports rose by 5.5 percent to USD 3.77 trillion, while imports remained at the 2024 level of USD 2.58 trillion. By the end of 2025, trade turnover between China and countries participating in the Belt and Road Initiative increased by 5.7 percent to USD 3.298 trillion. At the end of 2024, China's total foreign trade turnover had grown by 3.8 percent to a record USD 6.16 trillion, with exports increasing by 5.9 percent to USD 3.577 trillion and imports by 1.1 percent to USD 2.585 trillion.

Among the countries experiencing particularly rapid growth in foreign trade with China is the Republic of Azerbaijan. According to Chinese Ambassador to Azerbaijan Lu Mei, bilateral trade turnover reached a record level in 2025. The high level of political relations between Beijing and Baku has been accompanied by sustained growth in trade and economic cooperation. Between January and October 2025, bilateral trade turnover reached USD 2.44 billion, representing an increase of more than 20 percent compared to the same period in 2024. This marks the third consecutive year of record performance. China remains Azerbaijan's largest source of imports and one of its key trading partners. Investment, economic, and technological cooperation between the two countries continues to deepen, with Chinese companies actively participating in Azerbaijani projects in industrial production, retail trade, automotive manufacturing, and the energy sector.

Cooperation between China and Azerbaijan in the field of renewable energy deserves particular attention. Chinese companies have signed contracts with the Azerbaijani side to implement five new energy projects with a total capacity of 1,570 MW, including solar and wind power plants. Once operational, these facilities are expected to double Azerbaijan's renewable energy generation capacity. Azerbaijan's first large-scale wind energy project with a capacity of 240 MW is planned to be commissioned in 2026 with the participation of Chinese companies. Following the abolition of the visa regime, mutual tourist flows have been steadily increasing. Between January and October 2025, the number of Chinese tourists visiting Azerbaijan exceeded 57,000, representing an annual increase of approximately 50 percent.

Alongside its economic model and possession of advanced weaponry, China seeks to affirm itself as one of the defining centers of global politics and the world economy. It also positions itself as a leader of the Global South, in which Azerbaijan is an active participant. As China's leading role in the contemporary geopolitical and geoeconomic landscape of Eurasia becomes more pronounced, Azerbaijan's role and position are likewise being reaffirmed. Azerbaijan constitutes a key link in the implementation of the Middle Corridor.

There is little doubt that the Middle Corridor passing through the Turkic states of Central Asia and Azerbaijan and extending via the future Zangezur Corridor (Trump Route, TRIPP) to Türkiye and further to Europe will become one of Eurasia's leading transport arteries. The key to this project lies in Azerbaijan, whose geopolitical and geoeconomic position was significantly strengthened following its decisive victory in the Karabakh War. This victory consolidated Azerbaijan's role as the leading power in the South Caucasus and granted it the status of a "middle power" in contemporary political thought.

The South Caucasus is increasingly being drawn into global processes of restructuring trade and transport routes, gradually transforming from a peripheral space into an independent element of Eurasian logistics and energy networks. However, the sustainability of this trend will depend on the effectiveness of economic policy and the ability to capitalize on emerging geoeconomic opportunities.

China's policy in the South Caucasus may, in several respects, be interpreted as an expression of "soft power." Educational and cultural programs implemented by China in the region serve as important instruments for advancing its geopolitical and economic interests.

Since gaining independence, Azerbaijan has also expanded humanitarian cooperation with the PRC, including in education, culture, and tourism. In recent years, humanitarian exchanges, particularly in language education and tourism, have intensified. Beijing Foreign Studies University has implemented Azerbaijani language programs, while interest among Azerbaijani students in learning Chinese has increased. The number of Azerbaijani citizens studying at Chinese and Azerbaijani higher education institutions at bachelor's, master's, and doctoral levels continues to grow. Chinese language courses are offered at several Azerbaijani universities in partnership with the Confucius Institute. Notably, centers for the study of Azerbaijani language and culture have also been established in China.

In 2024, Azerbaijan unilaterally introduced a visa-free regime for Chinese citizens in order to promote tourism development and business activity. Following the introduction of simplified visa procedures, tourist arrivals from China increased by 53 percent compared to the early 2020s. Chinese citizens may obtain visas at Azerbaijan's international airports. Regular direct flights between the two countries also play an important role in expanding economic relations.

Conclusion. The South Caucasus holds strategic importance for China as a land corridor connecting Central Asia with Europe. In this context, the Republic of Azerbaijan possessing economic, demographic, and geographical advantages over its neighbors has become a central element of China's regional strategy. This reflects not only the development of bilateral economic relations, but also growing political and institutional convergence. Azerbaijan's efforts to deepen integration with the Shanghai Cooperation Organization and its application to join BRICS demonstrate the multi-vector nature of its foreign policy (China expanding economic presence in South Caucasus, 2024).

China, with its ancient historical traditions and rich cultural heritage, has made significant contributions to the development of human civilization. As noted by Ilham Aliyev, in recent years, the People's Republic of China (PRC) has undergone remarkable development, achieving unprecedented success, particularly in the economic sphere. The world closely follows China's considerable achievements across various sectors (Ilham Aliyev was interviewed by Chinese Xinhua agency, 2019).

Political and diplomatic relations between the Republic of Azerbaijan and the People's Republic of China began following Azerbaijan's attainment of independence and have now reached their highest stage of development. Bilateral relations, founded on the principles of international law, sovereignty, territorial integrity, mutual benefit, and non-interference in each other's internal affairs, encompass nearly all areas of cooperation. Currently, expanding cooperation with the PRC, a country that has become one of the world's most powerful states in terms of economic development, fully aligns with Azerbaijan's national interests. Simultaneously, Azerbaijan, with favorable geopolitical conditions, strong economic potential, and a balanced, multi-vector foreign policy, has become one of the countries of significant importance for China's foreign political, cultural, and economic relations.

Agreements, contracts, and various forms of practical cooperation in transportation and logistics between the two countries indicate Azerbaijan's interest in participating in the Middle Corridor. However, experiences of some countries, including those in Central Asia such as Uzbekistan (The Risks of China's Loans to Uzbekistan, 2024), demonstrate that increased dependence on Chinese loans entails certain risks, including the threat of rising debt burdens. This could pose potential challenges to Azerbaijan's political and economic sovereignty in the future (China's Debt-Trap Diplomacy in Central Asia, 2024).

A comparative analysis of China's economic involvement in Azerbaijan relative to other economic actors in the South Caucasus demonstrates the limited engagement of China and Chinese companies in the country's economy. Chinese investment in Azerbaijan remains minimal and is primarily concentrated in the transport sector. Even in terms of trade relations, China does not occupy a leading position.

The expansion of Azerbaijan's relations with China encompasses both economic and geopolitical dimensions. In recent years, against the backdrop of political tensions with the EU and crises in relations with Russia, these ties have gained particular importance for the country. It is noteworthy that although the EU invested USD 24.7 billion in Azerbaijan between 2012 and 2023, investment activity in recent years has significantly declined. Nevertheless, Europe and Russia continue to be Azerbaijan's key partners in foreign economic relations, particularly in the energy sector. In contrast, China's presence in Azerbaijan has strengthened. One key reason for this is that political factors are largely secondary in economic relations. Notably, similar patterns are observed in Georgia's relations with the EU and China. Unlike these two republics, Armenia has not signed a strategic partnership agreement with China. Nevertheless, the Pashinyan government has expressed interest in expanding cooperation with China alongside the EU to reduce unilateral dependence on Russia, linking this approach to the necessity of pursuing a balanced, multi-vector foreign policy (Armenia looks to deepen ties with China while eyeing foreign relations beyond Russia, 2025; Chinese Companies Involvement in Major Infrastructure Projects in Armenia).

Azerbaijan is becoming a central element in the infrastructure, transit, and energy architecture emerging in the South Caucasus. It strengthens its status as a country that ensures the macro-financial stability of the region, facilitates technological and logistics connectivity, and sets long-term benchmarks for economic transformation.

Analysis indicates that, in the near future, alongside Turkey, Russia, and Europe, China will become one of Azerbaijan's most important economic partners and a significant factor influencing changes in the South Caucasus' geopolitical model. In a context where political and ideological factors remain secondary, the PRC is poised to be one of Azerbaijan's most attractive foreign investors (China and Azerbaijan: Geopolitical Prospects for Bilateral Relations in the Economic and Logistics, 2024). However, moving away from integration with Western political institutions and the existence of certain tensions with Russia create potential risks for strengthening China's monopolistic position in the region and in Azerbaijan. At the same time, the geopolitical dimension of Azerbaijan-China cooperation, as well as growing societal admiration for China's ideological and political model, increases the risk of distancing from democratic and liberal values. Growing potential dependence on Chinese investment may also pose certain threats to national sovereignty.

Azerbaijan's role as an Asia-Europe transport corridor, the negative trade balance with China, and the dominant position of inexpensive Chinese industrial goods in the domestic market may create potential economic risks in the future. Therefore, the most rational course for the Republic of Azerbaijan is to prevent debt dependence and maintain institutional sovereignty.

Unlike the Biden administration, the Trump administration has sought to develop more realistic and pragmatic relations with Azerbaijan. A clear example is the signing of a declaration on the normalization of Azerbaijan-Armenia relations in Washington on 8 August 2025 with the participation of D. Trump, as well as the commencement of works on the construction of the Zangezur Corridor

(Trump Route – TRIPP) through Zangezur. Nevertheless, given the tensions in U.S. relations with China, Iran, and Russia, efforts must be made to avoid being drawn into this conflict, which also carries certain risks for Azerbaijan and the South Caucasus.

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