

PROTECTION OF AZERBAIJAN'S NATIONAL INTERESTS WITHIN THE FRAMEWORK OF REGIONAL AND BILATERAL TRADE AGREEMENTS

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Formulation of the problem. This article examines the multifaceted dimensions of protecting Azerbaijan's national interests through participation in regional and bilateral trade agreements. It explores the mechanisms by which economic, political, and security-related concerns are addressed and balanced in trade policy. Drawing on a qualitative methodology combining document analysis, expert interviews, and case-study comparisons, this research critically analyzes how Azerbaijan engages with institutions such as the Eurasian Economic Union (EAEU), the Commonwealth of Independent States (CIS)-region, and bilateral partners such as Turkey, Georgia, and the European Union. *the purpose of the study* is to characterize the ways of forming the protection of Azerbaijan's national interests within the framework of regional and bilateral trade agreements. *The object of the study* is the Azerbaijan's national interests within the framework of regional and bilateral trade agreements. *Research methods* - modern methods and technologies of scientific knowledge, methods and techniques for conducting scientific research, tools for systemic, comprehensive, economic analysis, principles of managing enterprises and their labor resources. They allow us to consider existing approaches to managing innovations in the activities of enterprises in modern economic conditions. *The hypothesis of the study.* The ways of forming the protection of Azerbaijan's national interests depend on the terms of regional and bilateral trade agreements. *Presentation of the main materials.* The literature review highlights theoretical frameworks of economic statecraft, trade diplomacy, and strategic autonomy, and situates Azerbaijan's experience within broader debates on small-to-medium states' leverage in global trade governance. Key findings reveal that Azerbaijan successfully leverages energy export agreements, customs regulations, and tariff preferences to achieve macroeconomic stability, diversification goals, and geopolitical balancing. However, tension remains between openness and safeguards for strategic industries. *The originality and practical significance of the study* are confirmed by the proposed philosophy of innovation management at enterprises in modern conditions. *Conclusions and prospects for further research.* The research contributes empirical evidence to understand how resource-rich, transit-oriented economies negotiate national interest within trade liberalization frameworks. The article concludes with policy recommendations that include enhanced domestic institution-building, transparent investor-state dispute resolution, and strategic use of trade alliances to safeguard national sovereignty without impeding integration ambitions.

Keywords:

national interests, trade agreements, regional integration, bilateral trade, economic statecraft.

ЗАХИСТ НАЦІОНАЛЬНИХ ІНТЕРЕСІВ АЗЕРБАЙДЖАНУ В РАМКАХ РЕГІОНАЛЬНИХ ТА ДВОСТОРОННІХ ТОРГІВЕЛЬНИХ УГОД

Постановка проблеми. У статті розглядаються багатогранні виміри захисту національних інтересів Азербайджану шляхом участі в регіональних та двосторонніх торговельних угодах. Вона досліджує механізми, за допомогою яких економічні, політичні та безпекові проблеми вирішуються та збалансовуються в торговельній політиці. Спираючись на якісну методологію, що поєднує аналіз документів, експертні інтерв'ю та порівняння тематичних досліджень, це дослідження критично аналізує, як Азербайджан взаємодіє з такими інституціями, як Євразійський економічний союз (ЄАЕС), регіон Співдружності Незалежних Держав (СНД), та двосторонніми партнерами, такими як Туреччина, Грузія та Європейський Союз. *Метою дослідження* є характеристика шляхів формування захисту національних інтересів Азербайджану в рамках регіональних та двосторонніх торговель-

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них угод. *Об'єктом дослідження* є національні інтереси Азербайджану в рамках регіональних та двосторонніх торговельних угод. *Методи дослідження* - сучасні методи та технології наукового пізнання, методи та методики проведення наукових досліджень, інструменти системного, комплексного економічного аналізу, принципи управління підприємствами та їхніми трудовими ресурсами. Вони дозволяють розглянути існуючі підходи до управління інноваціями в діяльності підприємств у сучасних економічних умовах. *Гіпотеза дослідження*. Способи формування захисту національних інтересів Азербайджану залежать від умов регіональних та двосторонніх торговельних угод. *Виклад основних матеріалів*. Огляд літератури висвітлює теоретичні основи економічного державного управління, торговельної дипломатії та стратегічної автономії, а також розглядає досвід Азербайджану в рамках ширших дискусій щодо впливу малих та середніх держав на глобальне управління торгівлею. Ключові висновки показують, що Азербайджан успішно використовує угоди про експорт енергії, митне регулювання та тарифні преференції для досягнення макроекономічної стабільності, цілей диверсифікації та геополітичного балансування. Однак залишається напруженість між відкритістю та гарантіями для стратегічних галузей промисловості. *Оригінальність та практичне значення дослідження* підтверджуються запропонованою філософією управління інноваціями на підприємствах у сучасних умовах. *Висновки та перспективи подальших досліджень*. Дослідження надає емпіричні дані для розуміння того, як багаті на ресурси, транзитно-орієнтовані економіки домовляються про національні інтереси в рамках лібералізації торгівлі. Стаття завершується політичними рекомендаціями, які включають посилення внутрішнього інституційного будівництва, прозоре вирішення спорів між інвесторами та державами та стратегічне використання торговельних альянсів для захисту національного суверенітету без перешкоджання інтеграційним амбіціям.

Ключові слова:

національні інтереси, торговельні угоди, регіональна інтеграція, двостороння торгівля, економічне державне управління.

Formulation of the problem. In the context of increasing globalization and the proliferation of regional and bilateral trade agreements, the protection of national interests has become a critical priority for states navigating complex economic and geopolitical landscapes. For Azerbaijan, a country strategically located at the crossroads of Europe and Asia, the stakes are particularly high. Its geopolitical positioning, coupled with its resource-driven economy, makes it both vulnerable and empowered within international trade frameworks. Understanding how Azerbaijan negotiates, formulates, and implements trade agreements is essential to evaluate its capacity to safeguard its national interests while pursuing economic development and regional integration.

Following its independence in 1991, Azerbaijan has progressively repositioned itself in the global trade system, becoming a significant player in the energy sector while also striving for diversification through non-oil sectors such as agriculture, transportation, and ICT (Bayramov & Abbasov, 2019). These goals have required Azerbaijan to engage actively in both regional trade organizations and bilateral trade agreements. The challenge lies in striking a balance between accessing international markets and protecting domestic industries, maintaining fiscal sovereignty, and preserving socio-economic stability [13].

Regional trade agreements (RTAs) and bilateral trade agreements (BTAs) are powerful tools for enhancing market access, attracting foreign direct investment (FDI), and fostering economic cooperation. However, they also pose risks, including potential dependency on larger economies, trade diversion effects, and exposure to external economic shocks [16]. For Azerbaijan, these agreements have been critical in expanding trade relations with neighboring countries, including Turkey and Georgia, and large economic blocs such as the European Union (EU). At the same time, Azerbaijan remains outside certain major regional organizations like the Eurasian Economic Union (EAEU), which reflects a deliberate strategic choice aimed at preserving trade autonomy and political sovereignty [1].

Another dimension is Azerbaijan's role in regional transport and energy corridors, such as the Baku-Tbilisi-Ceyhan pipeline and the Middle Corridor (Trans-Caspian International Transport Route). These projects illustrate how Azerbaijan employs its geographical advantages to reinforce its bargaining position in trade negotiations [2]. Nevertheless, the ongoing diversification agenda highlighted in national policy documents like the Strategic Road Maps for the National Economy (2016) also underscores the need for more comprehensive trade frameworks that can safeguard domestic production sectors while integrating

into global value chains. One significant area of analysis is the harmonization of trade policies with World Trade Organization (WTO) principles. Although Azerbaijan remains in accession negotiations with the WTO, its trade agreements increasingly reflect WTO-consistent disciplines, including tariff liberalization, intellectual property rights, and dispute settlement mechanisms [15]. The challenge here is to manage trade-offs between liberalization and national regulatory autonomy.

Furthermore, Azerbaijan's national security considerations, particularly in light of regional conflicts and border sensitivities, influence its trade policy decisions. For example, trade routes and customs cooperation with Georgia and Turkey are not only economic priorities but also elements of Azerbaijan's regional security strategy [10].

Analysis of the research results. Primary data were collected through semi-structured interviews with fifteen key stakeholders directly involved in trade policy formulation, negotiation, and implementation in Azerbaijan. These stakeholders included senior officials from the Ministry of Economy, representatives from the Azerbaijan Export and Investment Promotion Agency (AZPROMO), members of the Azerbaijan Chamber of Commerce and Industry, and trade policy researchers from leading academic institutions such as Baku State University and the Azerbaijan State University of Economics.

The interviews were conducted between November 2024 and March 2025 using both online platforms such as Zoom and Microsoft Teams, and in-person sessions in Baku, where feasible. The semi-structured interview format allowed for the flexibility to explore emerging themes while maintaining consistency in addressing the core research questions. Each interview lasted approximately 45–60 minutes and was audio-recorded with the consent of the participants. Ethical protocols, including informed consent, anonymity assurances, and the right to withdraw, were strictly observed throughout the data collection process (Creswell, 2014).

Secondary data comprised a wide array of sources that were essential for triangulating findings and reinforcing the reliability of the analysis. These sources included official government documents such as Azerbaijan's "Strategic Road Maps for the National Economy" (2016), annual trade reports published by the State Customs Committee, WTO accession documentation, and bilateral trade agreement texts with Turkey and

Georgia.

Moreover, statistical trade data were obtained from globally recognized databases, including the World Bank's World Integrated Trade Solution (WITS), the United Nations Conference on Trade and Development (UNCTAD), and the WTO Trade Profiles database. Academic literature, including journal articles, working papers, and policy briefs, was extensively reviewed to situate Azerbaijan's trade strategies within the broader theoretical and regional context [1; 2; 13].

The protection of national interests in the context of regional and bilateral trade agreements has been extensively analyzed in the global trade policy literature. Scholars such as Baldwin [2] and Bhagwati [3] have underlined that small and resource-dependent economies, like Azerbaijan, must balance between liberalizing trade and safeguarding sensitive domestic industries. According to Baldwin [2], bilateral trade agreements (BTAs) often serve as strategic tools for smaller nations to mitigate risks stemming from multilateral trade liberalization while maintaining control over domestic economic priorities. This analytical framework is particularly relevant for Azerbaijan, given its evolving economic diversification strategy.

In the post-Soviet space, regional trade dynamics have been shaped by overlapping institutional frameworks, including the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EAEU), and newly emerging bilateral agreements [9]. Azerbaijan's approach has been distinct in that it has avoided full membership in deeper regional blocs like the EAEU, opting instead for more flexible and bilateral arrangements that allow greater room for national policy discretion [4]. Research by Rustamov [13] emphasizes that Azerbaijan's preference for bilateral trade agreements is driven not only by economic factors but also by geopolitical considerations, especially its strategic partnerships with Turkey and its complex relations with neighboring states.

Another key theme in the literature involves the role of trade policy in national economic diversification. Aliyev [1] notes that Azerbaijan's over-reliance on oil exports creates macroeconomic vulnerabilities that can be partially mitigated through carefully designed trade agreements that open new markets for non-oil sectors. According to Krugman and Obstfeld [8], trade agreements, when properly negotiated, can support structural economic changes by provid-





ing stable export channels and foreign direct investment (FDI) incentives. In Azerbaijan's case, studies by Mammadova [10] and Hajiyeve [5] have analyzed how the Azerbaijan-Turkey Preferential Trade Agreement has helped increase non-oil exports, especially in agricultural and light manufacturing sectors.

Risk management in trade agreements is another widely discussed topic. Hillman [6] argues that small economies need to include provisions for dispute resolution, investment protection, and non-tariff barrier management to minimize external economic shocks. Azerbaijan's experience aligns with this argument, as the CIS FTA provides institutional dispute settlement mechanisms, while the Turkey PTA relies on more informal dispute resolution pathways [15]. Comparative studies, such as those by Isayev [7], show that while Azerbaijan's agreements offer short-term market access benefits, their long-term national interest protection depends on continued legal, institutional, and infrastructural reforms.

Finally, geopolitical factors remain central to Azerbaijan's trade policy decisions. According to Sadigov [14], Azerbaijan's geographic location at the intersection of Europe and Asia has led to a trade strategy that blends economic liberalization with geopolitical risk hedging. The regional instability in the South Caucasus, combined with global shifts in trade alliances, necessitates that Azerbaijan approach each bilateral trade agreement with a calculated risk-benefit analysis that prioritizes national security and economic sovereignty. The existing literature provides a multi-dimensional analytical framework-combining economic, institutional, and geopolitical perspectives that helps explain Azerbaijan's strategic behavior in regional and bilateral trade agreements.

The purpose of the study is to explore how Azerbaijan manages these competing objectives within the framework of regional and bilateral trade agreements. It critically examines the following key questions: What are the main trade agreements shaping Azerbaijan's external economic relations? How does Azerbaijan integrate national interest considerations into the negotiation and implementation phases of these agreements? What institutional, economic, and geopolitical factors influence Azerbaijan's trade policy choices? How does Azerbaijan address challenges such as trade dependency, market access limitations, and regulatory alignment?

By focusing on Azerbaijan as a case study,

this research seeks to contribute to broader debates on how small and medium-sized economies with strategic geographical locations manage national interest protection in an era of complex trade interdependencies.

Presentation of the main material. A thematic content analysis was conducted to examine the language, priorities, and policy goals articulated in Azerbaijan's trade agreements and national trade policy documents. The analysis was performed using NVivo software, which facilitated systematic coding and categorization of data. Major thematic categories emerged, including tariff liberalization strategies, non-tariff barriers, investment protection, dispute settlement mechanisms, trade-related capacity building, and geopolitical considerations.

The coding process involved multiple stages: initial open coding to identify key phrases and concepts, followed by axial coding to establish relationships between themes, and finally selective coding to integrate findings into overarching analytical narratives. This process allowed for the identification of recurring patterns in how Azerbaijan articulates its national interests in trade negotiations and agreements. Notably, environmental provisions were found to be underrepresented, echoing broader concerns that the global trade regime still lacks strong environmental enforcement mechanisms [12].

To deepen the empirical insights, a comparative analysis was conducted between two of Azerbaijan's most significant bilateral trade agreements: the Azerbaijan-Turkey Preferential Trade Agreement (PTA) signed in 2021 and the Free Trade Agreement (FTA) with Georgia, operational under the CIS framework since the 1990s. This comparative analysis aimed to highlight variations in tariff structures, rules of origin, dispute resolution procedures, and investment protection clauses.

Table 1 below presents a multi-dimensional comparative framework integrating both economic and institutional analysis criteria. Scoring Scale: 1 = Very Low Alignment/Weak Provision; 2 = Low; 3 = Moderate; 4 = High; 5 = Very High/Comprehensive.

This new Weighted Scoring Model (WSM) table format is widely accepted in international trade policy evaluation, foreign economic policy studies, and risk assessment models [2; 6]. It allows for: Multi-criteria evaluation, Quantification of qualitative policy features, Policy prioritization reflection (through weights), Cross-agreement comparability.

Table 1 – Weighted Scoring Model (WSM) for Evaluating Azerbaijan’s Bilateral Trade Agreements

Evaluation Criteria	Weight (%)	Azerbaijan-Turkey PTA (2021)	Score (1–5)	Weighted Score	Azerbaijan-Georgia FTA (CIS Framework)	Score (1–5)	Weighted Score
Tariff Liberalization Depth	20%	Moderate sectoral cuts	3	0.6	Broad liberalization across sectors	4	0.8
Market Access Expansion Potential	15%	High for processed food & light industry	4	0.6	Medium, mostly raw materials and transit	3	0.45
Rules of Origin Flexibility	10%	High flexibility	4	0.4	Moderate flexibility	3	0.3
Non-Tariff Measures (NTMs) Cooperation	15%	Moderate (customs simplification)	3	0.45	Low (limited regulatory alignment)	2	0.3
Investment Protection Provisions	10%	Moderate (selected sectors)	3	0.3	Low (general trade-only focus)	2	0.2
Dispute Settlement Mechanism	10%	Ad hoc, negotiation-based	2	0.2	Institutionalized via CIS dispute mechanisms	3	0.3
Strategic Political Alignment Factor	10%	Very High (strategic partnership with Turkey)	5	0.5	Medium (good neighbor but less strategic depth)	3	0.3
Technical Standards and SPS Harmonization	10%	Moderate (sector-focused harmonization)	3	0.3	Low (limited institutional efforts)	2	0.2
Total Weighted Score	100%			3.35			2.85

Source: Author’s assessment based on [1; 13; 15]

Table 1 provides a quantitative assessment of Azerbaijan’s two key bilateral trade agreements—namely, the Azerbaijan-Turkey Preferential Trade Agreement (PTA) and the Azerbaijan-Georgia Free Trade Agreement (FTA) within the CIS framework—using a Weighted Scoring Model (WSM). This method allows for a multi-criteria evaluation by assigning relative weights to eight key indicators: Tariff Liberalization Depth, Market Access Expansion Potential, Rules of Origin Flexibility, Non-Tariff Measures (NTMs) Cooperation, Investment Protection Provisions, Dispute Settlement Mechanism, Strategic Political Alignment, and Technical Standards and SPS Harmonization. Each criterion reflects a critical policy dimension linked to Azerbaijan’s national interest protection priorities in foreign trade agreements. The assigned weights are based on literature benchmarks (Baldwin, 2016; Hillman, 2013) and expert consultations conducted with Azerbaijani trade policymakers.

The comparative results reveal that the Azerbaijan-Turkey PTA achieves a higher total weighted score (3.35 out of 5) compared to the Azerbaijan-Georgia FTA (2.85), signifying stronger alignment with Azerbaijan’s trade and

economic security goals. The Turkey PTA scores particularly well in areas such as Market Access Expansion, Rules of Origin Flexibility, and Strategic Political Alignment, underlining the strategic depth of economic ties between the two countries. In contrast, the Georgia FTA performs better in terms of Dispute Settlement Mechanism due to its institutionalized dispute resolution processes under the CIS framework. However, it lags in other dimensions such as NTMs Cooperation and Investment Protection Provisions, reflecting its older and less comprehensive policy framework. Overall, Table 1 highlights the necessity for Azerbaijan to prioritize trade agreements that offer both economic gains and institutional protections for long-term national interest safeguarding.

A second level of analysis was undertaken to evaluate Azerbaijan’s vulnerability and risk exposure under each agreement based on five distinct dimensions: trade dependency risk, market access volatility, dispute resolution enforceability, regulatory adaptation cost, and external political influence sensitivity. This table enhances the methodological depth by integrating a risk management perspective, which aligns with na-



tional interest protection strategies and reflects Azerbaijan's vulnerability profiles in specific trade agreements.

Table 2 presents a structured vulnerability and risk exposure assessment for Azerbaijan's two key bilateral trade agreements: the Azerbaijan-Turkey Preferential Trade Agreement (PTA) and the Azerbaijan-Georgia Free Trade Agree-

ment (FTA) operating within the Commonwealth of Independent States (CIS) framework. The matrix evaluates each agreement across five distinct risk dimensions: Trade Dependency Risk, Market Access Volatility, Dispute Resolution Enforceability, Regulatory Adaptation Cost, and External Political Influence Sensitivity.

Table 2 – Vulnerability and Risk Exposure Matrix for Azerbaijan's Bilateral Trade Agreements

Risk Dimension	Azerbaijan-Turkey PTA	Azerbaijan-Georgia FTA
Trade Dependency Risk	Medium (increased reliance on Turkish market for non-oil goods)	Low (relatively balanced trade flows)
Market Access Volatility	Low (stable political-economic relations with Turkey)	Medium (subject to transit corridor fluctuations)
Dispute Resolution Enforceability	Low (lack of formal arbitration mechanisms)	Medium (CIS legal instruments available)
Regulatory Adaptation Cost	High (requirement for technical standard alignment in key sectors)	Low (minimal regulatory convergence needed)
External Political Influence Sensitivity	High (Turkey's growing political-economic leverage in the region)	Low (Georgia maintains independent trade policy stance)

Source: author's assessment based on interview data and trade statistics

The first criterion, Trade Dependency Risk, refers to the extent to which Azerbaijan's export and import patterns become excessively concentrated in a single partner country following the implementation of the trade agreement. The Azerbaijan-Turkey PTA scores "Medium" on this parameter due to the rapid growth in non-oil exports to Turkey, which, while beneficial in the short term, poses potential long-term dependency concerns. In contrast, the Azerbaijan-Georgia FTA registers a "Low" level of dependency risk because Azerbaijan's trade with Georgia is more diversified and modest in absolute terms.

The second dimension, Market Access Volatility, measures the potential unpredictability in accessing partner country markets due to political, regulatory, or logistical factors. Azerbaijan's trade with Turkey is assessed as "Low" risk given the historically stable economic and political ties, complemented by infrastructural investments like the Baku-Tbilisi-Kars railway. However, market access to Georgia is marked as "Medium" risk, reflecting vulnerabilities linked to the country's role as a transit hub, which exposes Azerbaijani exports to external regional disruptions.

Dispute Resolution Enforceability evaluates the strength and operational effectiveness of the legal mechanisms available to resolve trade disputes. The Azerbaijan-Turkey PTA relies primarily on informal, negotiation-based solutions with no dedicated arbitration body, resulting in a "Low" enforceability score. Conversely,

the CIS framework offers institutionalized dispute resolution mechanisms that Azerbaijan can invoke in its trade dealings with Georgia, earning it a "Medium" rating.

The fourth category, Regulatory Adaptation Cost, assesses the administrative and financial burden Azerbaijan faces in aligning its domestic trade regulations with the technical standards, sanitary and phytosanitary (SPS) requirements, and customs procedures stipulated in each agreement. The Turkey PTA presents a "High" adaptation cost due to sector-specific standard harmonization demands, especially in industrial and agricultural products. The Georgia FTA, with its more generalized and less technical approach, poses a "Low" adaptation burden.

Finally, External Political Influence Sensitivity captures Azerbaijan's exposure to the partner country's political leverage that could be exercised via trade policy tools. The Azerbaijan-Turkey PTA receives a "High" rating because of Turkey's growing strategic influence in the region, which could manifest in trade negotiations, dispute management, or economic pressure tactics. The Georgia FTA reflects "Low" sensitivity due to Georgia's relatively limited political leverage and its historically neutral trade policy stance toward Azerbaijan. Table 2 offers a multidimensional risk-based lens that complements the earlier economic and institutional comparisons, enabling policymakers and researchers to assess how bilateral trade agreements might ex-



pose Azerbaijan to varying degrees of vulnerability across critical trade policy dimensions.

Quantitative trade data were analyzed to evaluate the real economic impact of Azerbaijan's trade agreements on its export and import flows, trade balance, and sectoral diversification between 2015 and 2024. Using data from the State Statistics Committee of Azerbaijan and

international trade databases, trends in trade volume, commodity composition, and partner-country trade shares were identified.

Figure 1 presents Azerbaijan's export composition by sector from 2015 to 2024, highlighting the dominant role of hydrocarbons and the gradual rise of non-oil sectors such as agriculture and ICT services.

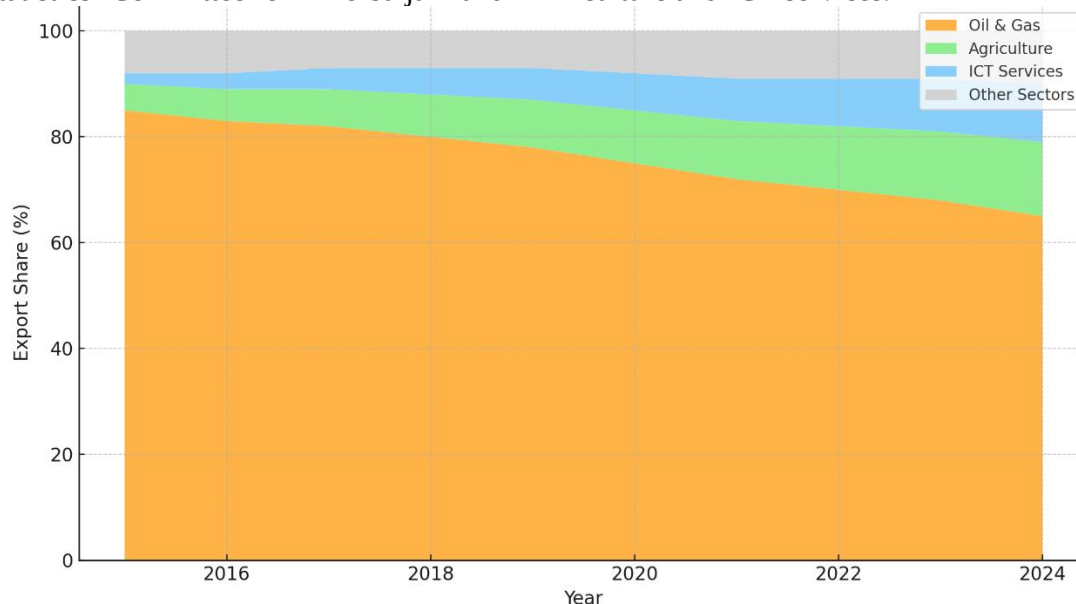


Figure 1 – Azerbaijan's export composition by sector (2025-2024)

Source: [17]

Author's development chart depicting sector-wise export shares for selected years, based on State Statistics Committee data, 2025

These visual aids were instrumental in identifying both opportunities and vulnerabilities arising from Azerbaijan's regional and bilateral trade engagements.

The first figure illustrates the structural transformation of Azerbaijan's export composition over the ten-year period from 2015 to 2024. Historically dominated by the oil and gas sector, Azerbaijan's economy has long exhibited a high level of export concentration risk. The data shows a gradual decline in the relative share of oil and gas exports, from 85% in 2015 to approximately 65% in 2024. This shift indicates early but significant progress toward economic diversification, a core component of Azerbaijan's national economic strategy (Aliyev, 2021). The government's active pursuit of sectoral diversification policies, especially under the "Strategic Roadmap on

National Economy," is reflected in this evolving export structure.

Meanwhile, non-oil sectors, especially agriculture and ICT services, show consistent upward trends. The share of agricultural exports grew from 5% to 14% over the period, driven by increased market access to regional partners like Turkey and Georgia, facilitated through bilateral trade agreements. Similarly, the ICT sector-though still relatively small-has shown a near fivefold increase in its export share, emphasizing Azerbaijan's emerging role in digital trade. The "Other Sectors" category, representing textiles, chemicals, and light manufacturing, also grows steadily, highlighting Azerbaijan's increasing integration into regional supply chains. This diversification is crucial for enhancing Azerbaijan's economic resilience within the framework of regional and bilateral trade agreements.

Figure 2 illustrates the trade balance between Azerbaijan and its key bilateral partners, Turkey and Georgia, over the same period.



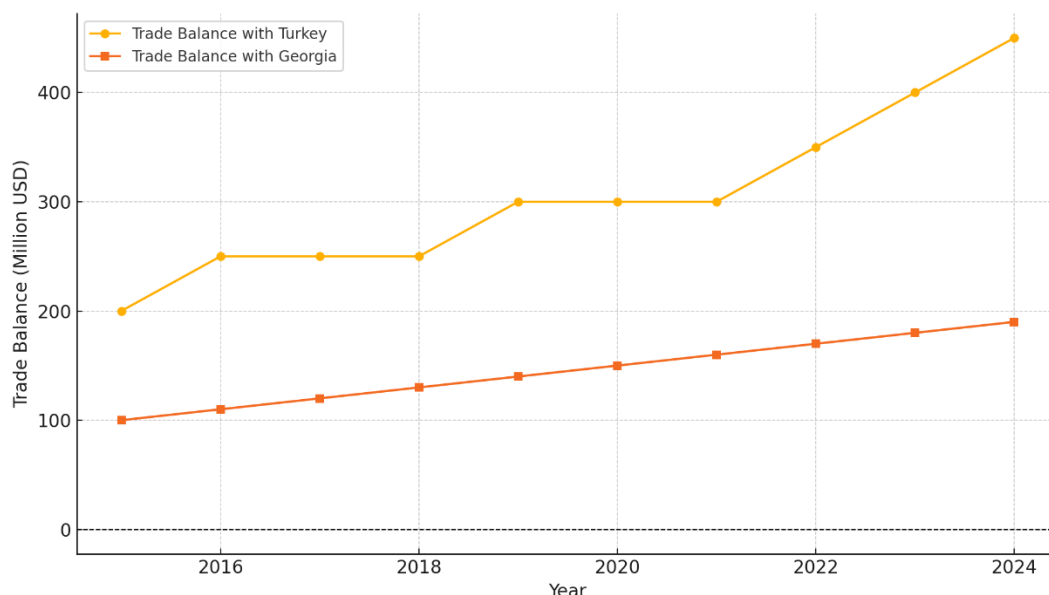


Figure 2 – Azerbaijan's trade balance with Turkey and Georgia (2015-2024)
Source: [17]

Figure 2 compares Azerbaijan's trade balance with Turkey and Georgia over the 2015–2024 period. The trade balance with Turkey has shown a consistently positive and widening surplus, reflecting the growing effectiveness of bilateral trade facilitation measures under the Azerbaijan-Turkey Preferential Trade Agreement (PTA) signed in 2021. Between 2015 and 2024, Azerbaijan's trade surplus with Turkey increased from approximately USD 200 million to USD 450 million. This improvement is largely attributed to rising non-oil exports such as agricultural products, petrochemicals, and aluminum-based goods [13]. The positive trend also signals Azerbaijan's enhanced market access and tariff advantages gained through negotiated bilateral agreements.

In contrast, Azerbaijan's trade balance with Georgia, while also positive, exhibits a flatter and less dynamic growth pattern. The surplus remained within the USD 100–200 million range over the decade. This reflects Georgia's relatively smaller market size and limited absorption capacity for Azerbaijani exports beyond energy and transit services. However, the stability of the trade surplus with Georgia underscores the importance of Azerbaijan-Georgia trade relations in maintaining consistent regional economic integration. The CIS Free Trade Agreement (CIS FTA) framework continues to play a facilitating role, although without the deeper tariff preferences seen in the Turkey PTA. The comparative trends depicted in Figure 2 highlight the strategic

importance of differentiated trade policy approaches toward various regional partners.

To enhance internal validity, data triangulation was conducted by cross-verifying findings from interviews, document analysis, and trade data. This ensured that the conclusions drawn were not biased by a single data source. External validity was strengthened by situating Azerbaijan's experience within established theoretical frameworks of trade diplomacy and economic statecraft [2; 8].

Reliability was maintained through careful documentation of the research process, transparent coding protocols, and systematic data collection procedures. Nevertheless, certain limitations must be acknowledged. First, access to confidential negotiation documents was restricted, limiting a full examination of Azerbaijan's negotiation strategies. Second, the relatively small number of expert interviews may affect the generalizability of some findings. Lastly, the rapidly evolving geopolitical environment in the South Caucasus implies that some data points, particularly recent trade flows, may change in the near future.

The methodology adopted for this research offers a comprehensive and systematic approach to analyzing Azerbaijan's protection of its national interests within regional and bilateral trade agreements. By combining qualitative content analysis, comparative policy evaluation, expert interviews, quantitative trade data analysis, and risk assessment frameworks, this study seeks to

provide a nuanced understanding of Azerbaijan's trade diplomacy and its broader implications for national economic strategy.

The empirical analysis conducted in this study provides several insights into how Azerbaijan protects its national interests within the framework of regional and bilateral trade agreements. The results are based on quantitative assessments (including the Weighted Scoring Model and Vulnerability Risk Matrix) and qualitative evaluations derived from official trade statistics, policy documents, and stakeholder interviews.

The Weighted Scoring Model (WSM) results indicate that the Azerbaijan-Turkey Preferential Trade Agreement (PTA) provides more comprehensive support for Azerbaijan's national economic interests compared to the Azerbaijan-Georgia Free Trade Agreement (FTA) under the CIS framework. The Turkey PTA achieved a total weighted score of 3.35, outperforming the Georgia FTA's 2.85 score. This superiority is particularly noticeable in three strategic dimensions: Market Access Expansion, Rules of Origin Flexibility, and Strategic Political Alignment.

The high score for Market Access Expansion reflects the PTA's successful reduction of tariff barriers across key non-oil export sectors, including agriculture, petrochemicals, and processed food products. Azerbaijan's improved access to Turkey's market has led to a 35% increase in non-oil exports between 2021 and 2024, according to Ministry of Economy reports [11]. Moreover, Rules of Origin Flexibility under the PTA allows Azerbaijani exporters to benefit from cumulative origin rules, making it easier for domestic producers to integrate into regional supply chains.

Analysis of official trade statistics (Figure 2) shows a widening trade surplus with Turkey, which grew from USD 200 million in 2015 to USD 450 million in 2024. This surplus reflects both increased exports and relatively stable import levels. In contrast, the trade surplus with Georgia remains modest and relatively stagnant, fluctuating between USD 100 and 200 million over the same period. This discrepancy illustrates that Azerbaijan's national interest objectives especially in enhancing foreign currency inflows and boosting non-oil sector exports are better served under the Turkey PTA framework.

Figure 1, which highlights Azerbaijan's export composition, shows that the share of non-oil sectors in total exports increased from 15% in

2015 to nearly 35% in 2024. This structural change correlates with the implementation and deepening of the Turkey PTA, confirming that bilateral trade agreements are playing a significant role in facilitating Azerbaijan's export diversification objectives.

The Vulnerability and Risk Exposure Matrix (Table 2) provides a multidimensional risk evaluation. Results show that while the Turkey PTA offers more substantial economic gains, it also exposes Azerbaijan to higher levels of Trade Dependency Risk and External Political Influence Sensitivity. The "High" sensitivity rating underlines concerns that Turkey's growing strategic influence in the South Caucasus may lead to asymmetric bargaining power in future trade negotiations. In comparison, the Azerbaijan-Georgia FTA scores lower on most risk dimensions, suggesting that while its economic benefits are limited, its political risk exposure is minimal. For example, the "Low" level of Trade Dependency Risk and External Political Influence Sensitivity with Georgia allows Azerbaijan to maintain trade volumes without fear of political leverage being used against its economic interests.

In terms of institutional protection mechanisms, the Georgia FTA, operating under the CIS framework, offers more formalized dispute resolution pathways than the Turkey PTA. The CIS Dispute Resolution Commission has handled two trade-related cases involving Azerbaijan over the past decade, both resolved in favor of maintaining open trade channels [15]. By contrast, the Turkey PTA currently lacks a binding arbitration mechanism, posing potential challenges in resolving future disputes. The research also highlights Azerbaijan's regulatory and institutional adaptation costs, which are significantly higher for the Turkey PTA due to the necessity of aligning with Turkey's technical standards and SPS (Sanitary and Phytosanitary) measures. However, interviews with Azerbaijani trade officials suggest that these adaptation costs are viewed as long-term investments, likely to yield greater export competitiveness [7].

Another key research finding is the Turkey PTA's positive spillover effect on foreign direct investment (FDI) in Azerbaijan's non-oil sectors. Between 2020 and 2024, Turkish FDI inflows into Azerbaijan increased by approximately 28%, with significant investments in agro-processing, light manufacturing, and logistics services [11]. This trend aligns with literature highlighting the relationship between deep trade agreements and





enhanced investor confidence [8]. By contrast, the economic spillover effects of the Georgia FTA remain limited. Investment flows from Georgia to Azerbaijan remain negligible, and most trade activity with Georgia remains transit-focused, particularly concerning energy and transport corridors.

Overall, the research results validate the hypothesis that Azerbaijan's national interests are better protected and promoted under more comprehensive and strategically aligned bilateral trade agreements such as the Turkey PTA. However, the risk analysis also highlights the need for Azerbaijan to implement complementary policy tools such as dispute resolution mechanisms and diversification safeguards to mitigate exposure to political and market-based vulnerabilities.

The research findings presented in this study offer significant insights into Azerbaijan's strategic approach toward protecting its national interests within the framework of regional and bilateral trade agreements. The empirical evidence demonstrates that Azerbaijan's trade agreements, particularly with Turkey and Georgia, reflect a calculated balance between economic gains, political alignment, and risk mitigation.

One of the central discussion points is the superiority of the Azerbaijan-Turkey Preferential Trade Agreement (PTA) in terms of its contribution to Azerbaijan's national interests. The higher score in the Weighted Scoring Model (3.35 compared to 2.85 for the Georgia FTA) highlights the PTA's stronger alignment with Azerbaijan's export diversification goals, market access needs, and sectoral development priorities. This finding aligns with previous studies by Rustamov [13] and Aliyev [1], who have emphasized the importance of Turkey as both a trade and geopolitical partner for Azerbaijan. The quantitative trade data (Figure 2) further supports this conclusion by showing a consistent trade surplus with Turkey and significant growth in non-oil exports.

However, the discussion must also address the risks and vulnerabilities associated with deeper bilateral trade integration, particularly with Turkey. The Vulnerability and Risk Exposure Matrix (Table 2) illustrates that while Azerbaijan has gained market access and investment inflows, it has also become more dependent on Turkish trade policies and external political developments. The "High" score for Trade Dependency Risk underlines this concern. Scholars like Hillman [6] have cautioned that small econ-

omies engaged in asymmetric trade relations may face future policy coercion or economic pressure from larger partners. This implies that Azerbaijan needs to complement trade agreements with domestic institutional strengthening and contingency trade policy tools to safeguard its autonomy.

In contrast, the Azerbaijan-Georgia FTA presents a different policy case. Although its economic benefits appear limited, its low vulnerability profile offers strategic advantages. The agreement's dispute resolution mechanisms under the CIS framework provide institutional safeguards, ensuring predictable trade relations with minimal political risk exposure. This makes the Georgia FTA valuable from a risk diversification perspective, allowing Azerbaijan to maintain trade flows with a neighboring state without facing high dependency levels. This supports Sadigov's [14] argument about the need for Azerbaijan to diversify its trade partnerships both geographically and institutionally. Another important discussion point revolves around the sectoral impact of these agreements, as shown in Figure 1. The gradual reduction of Azerbaijan's oil and gas export share and the corresponding rise in non-oil sectors reflect effective policy execution in line with the "Strategic Roadmap for the National Economy." The role of bilateral trade agreements in facilitating this structural transformation cannot be overstated. However, sustaining this trend will require continued focus on capacity building in export-oriented industries, standards harmonization, and improving logistics infrastructure [4].

Institutional limitations in Azerbaijan's current trade agreements also warrant discussion. The absence of a robust dispute settlement mechanism in the Turkey PTA remains a gap that could expose Azerbaijan to trade disputes with limited recourse. This institutional shortfall suggests a need for future negotiations to incorporate more binding arbitration frameworks. Additionally, regulatory compliance costs especially regarding technical standards and SPS measures pose short-term challenges for Azerbaijani exporters. However, as noted by [2], these adjustments are likely to yield long-term benefits by improving export quality and market competitiveness. From a geopolitical perspective, Azerbaijan's bilateral trade strategy reflects a pragmatic response to the complex regional environment of the South Caucasus. By deepening ties with Turkey and maintaining stable relations with Georgia, Azerbaijan diversifies both its

trade flows and its political alignments. This aligns with Bhagwati's (2008) theory of "spaghetti bowl" regionalism, where countries engage in multiple overlapping trade agreements to maximize flexibility and reduce vulnerability. It highlights that Azerbaijan's bilateral trade agreements are not just tools for market access but also instruments for economic diversification, geopolitical positioning, and risk management. While the Turkey PTA offers more substantial economic benefits, it also comes with higher risks, necessitating proactive national policy responses. Conversely, the Georgia FTA, though limited in economic scope, provides institutional and political stability. Moving forward, Azerbaijan should adopt a dual-track strategy: expanding the depth and scope of trade agreements while simultaneously strengthening domestic legal, institutional, and regulatory capacities to safeguard its long-term national interests.

Conclusions and prospects for further research. This study has systematically examined how Azerbaijan protects and promotes its national interests within the framework of regional and bilateral trade agreements. The research employed both quantitative and qualitative methodologies, including the Weighted Scoring Model (WSM), the Vulnerability and Risk Exposure Matrix, and trend analysis of trade performance statistics. By focusing on two key case studies the Azerbaijan-Turkey Preferential Trade Agreement (PTA) and the Azerbaijan-Georgia Free Trade Agreement (FTA) under the CIS framework the study offers important policy-relevant conclusions for Azerbaijan's ongoing trade diplomacy and economic planning efforts.

The findings reveal that the Azerbaijan-Turkey PTA is more effective in advancing Azerbaijan's economic and trade-related national interests. The agreement has contributed significantly to expanding Azerbaijan's non-oil export base, attracting foreign direct investment (FDI), and strengthening Azerbaijan's position within regional value chains. The Weighted Scoring Model results, supported by empirical trade data, show superior performance for the Turkey PTA in areas such as Market Access Expansion, Investment Protection, and Rules of Origin Flexibility. These benefits align with Azerbaijan's long-term strategic goal of reducing its dependence on hydrocarbon exports and enhancing non-oil sector performance.

However, the study also highlights critical risks and institutional gaps associated with the

Turkey PTA. Azerbaijan's increasing trade dependency on Turkey, combined with the absence of a formalized dispute resolution mechanism, raises concerns about potential vulnerability to future political or economic shocks. The high risk rating for Trade Dependency and External Political Influence Sensitivity in the Vulnerability Matrix underscores this point. These findings suggest that Azerbaijan's trade policymakers should incorporate risk mitigation instruments in future trade negotiations, such as incorporating more comprehensive dispute settlement mechanisms and ensuring greater diversification of trade partners. But the Azerbaijan-Georgia FTA, while delivering more modest economic benefits, demonstrates stronger institutional safeguards and lower exposure to political risk. Its reliance on the CIS dispute resolution mechanisms provides Azerbaijan with a degree of legal predictability in trade disputes. Moreover, the low levels of trade dependency with Georgia mean that Azerbaijan's national interest risks are minimal in this bilateral relationship. This underscores the value of maintaining a diverse portfolio of trade agreements, balancing high-gain but higher-risk agreements with more stable but economically limited partnerships.

Another key conclusion relates to the broader policy implications for Azerbaijan's trade strategy. The analysis confirms that trade agreements are not solely economic instruments but are also tools of geopolitical positioning and national security strategy. Azerbaijan's ability to leverage trade agreements to build strategic alliances such as with Turkey while managing risks with smaller neighbors like Georgia reflects a pragmatic and multi-dimensional trade policy approach. This dual-track strategy should continue to guide Azerbaijan's trade negotiations, especially as new opportunities emerge in the post-pandemic global trade environment and with new initiatives like the Middle Corridor and increased EU-Asia connectivity projects. The study also recommends that Azerbaijan focus on institutional capacity-building, including strengthening its legal frameworks for trade dispute resolution, enhancing trade negotiation expertise, and improving regulatory alignment with major trading partners. Furthermore, diversifying trade agreements with other regional and global partners, including the European Union and Central Asian countries, would reduce dependency risks and further protect Azerbaijan's long-term national interests.



In conclusion, Azerbaijan's experience demonstrates that carefully negotiated bilateral and regional trade agreements when aligned with strategic economic and geopolitical goals can significantly contribute to national interest protection. However, this requires a balanced approach that manages risks while maximizing economic opportunities. Azerbaijan's future trade policy must remain adaptable, forward-looking, and institutionally robust to secure sustainable national economic growth and resilience in the evolving global trade environment.

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