

Regional integration and economic development aspects: The Case of Azerbaijan in the EU Eastern Partnership

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Abstract

This article examines Azerbaijan's participation in the European Union's Eastern Partnership (EaP) from a comparative perspective. It is argued that Azerbaijan is in a more advantageous position due to its unique geopolitical role and resource capabilities. Integration strategies: Azerbaijan combines economic pragmatism with strategic selectivity. Its vast energy resources and position as a key transport corridor between Europe and Asia allow Azerbaijan to contribute to Europe's energy security and regional relations directly. The analysis shows that Azerbaijan's integration model, which balances cooperation with the EU and the protection of national interests, offers greater flexibility and sustainability compared to its EaP counterparts. The results show that Azerbaijan has the potential not only to benefit from regional integration but also to influence its direction, presenting itself as a key player within the EaP and a driving force for sustainable regional development.

Introduction

Against the background of globalization and the strengthening of regional cooperation, economic integration has become a priority direction in the foreign policy and national development strategies of the states. The European Union's Eastern Partnership (EEP) programme has emerged as an important mechanism aimed at deepening the EU's political, economic and social ties with its Eastern neighbours.

Azerbaijan's participation in this initiative is of particular importance. The country has rich energy resources and a strategic transit position between Europe and Asia. In addition, Azerbaijan acts as an economic and political actor that plays an important role in maintaining regional stability.

Azerbaijan's integration policy is "selective" in nature. This means that the country is deepening integration only in areas that are in line with the national interest, and is cautious in other directions. This model combines pragmatism and strategic selectivity.

The role of the education sector in Azerbaijan's economic integration model and economic development within the Eastern Partnership is undeniable.

According to the World Development Report, the structure of the innovative economy includes the availability of telecommunication networks and the development of modern technologies. The development of the innovative digital system reflects the overall economic level of the country. A clear framework for defining the term "innovative economy" is offered. Formation of the innovative economy is described as a set of economic relations and principles with an appropriate level of development of innovative business, infrastructure, as well as the principles underlying the distribution, conversion, and use of innovations through various economic forms. Innovative economy includes several elements, equating it to the development of the latest technological decisions made in the field of waste treatment and recycling, with their minimization. The principles of creating innovative development of economic entities are formulated. These principles are based on the use of marketing technologies and include the implementation of innovations aimed at reducing production costs due to increased labor productivity, reducing waste, and reducing energy consumption. At the macro level, trade and investment policy is carried out, which helps countries to integrate into the world economy and promotes the growth of

innovative entrepreneurship in them. The interstate trade and investment agreements that are concluded give rise to significant induced demand to create the necessary infrastructure for the transshipment and feeding of goods and services. Developing countries are at a disadvantage due to the lack of capabilities to acquire the necessary technologies and ensure a steady stream of rewards from the use of these technologies. Innovation policies aim to promote technological progress and stimulate the creation of an infrastructure to generate a smooth transition to the innovative economy. The main types of the pro-development expenditures promoting economic growth are based on investments in the real sector of the economy: in the fixed assets (such as infrastructure, construction, agriculture, etc.), in the intangible and non-material assets (such as education, science, staff training and skill formation, information, social services, and many others).

At first glance, the impact of the technological and institutional changes on the real sector can be interpreted as investing in intangible and non-material assets. Certainly, the science and innovations, the ways they are created, supported, and diffused, are the key factors of the modern economy. But such an interpretation of a crucial novelty of the post-industrial global development is not enough.

The modern economy can be seen as a specific technical, institutional, and cultural space. Technological systems, structures, and rules (including market rules, standards, intellectual property rights, and so on), legal norms, social rituals, customs, behaviors and ways of thinking (mental frames, habitus) determine the possibilities of the economic actors (incorporated and real people, institutions) acting within this space and the options of their interactions. Considering this point of view allows for to discovery of the specific impact of the generally technological factors on the development of local economies and their embeddedness within the variety of the very specific political, social, and natural conditions of the countries and even regions. A complex reciprocal influence and feedback of these factors reveals a broad field of additional pro-development policies, different from a promotion of the „innovation“, usually understood as a complicated technical and techno-economic process of the new products.

Methodology: A comparative analysis approach is used. Azerbaijan is compared to the level of economic integration, institutional reforms, and opportunities for regional cooperation.

Azerbaijan's Position in the Eastern Partnership

Globally, Azerbaijan has become a strategic contributor to the world's energy security, equipped with a stable and sustainable economy backed by considerable financial resources and a strong geopolitical and geoeconomic standing. The nation has been consistently driving international and regional cooperation, enabling a number of successful global projects. Its increasingly stronger economic prowess and international acclaim have enabled Azerbaijan to launch several large-scale projects capable of transforming the South Caucasus and adjacent regional economies. Through the successful implementation of these projects, Azerbaijan has effectively become a 'global player'. (Azerbaijan, 2026, Republic of Azerbaijan 2022-2026 Social and Economic Development Strategy)

“Azerbaijan’s oil and gas sector accounts for about one-third of the country’s GDP and nearly all exports. Oil production accelerated after independence from the Soviet Union: in 2014, Azerbaijan was the 21st largest producer of oil in the world and the 32nd largest producer of indigenous gas. Azerbaijan became a strategic transit corridor once new production capacities and pipelines were operational in the early 2000s. The shift in energy use patterns driven by Russia’s war in Ukraine has also increased demand for Azerbaijan’s gas. Even though Azerbaijan’s exports are dominated by crude oil and natural gas, the country produces a range of minerals and metals, including aluminium, iron ore, bromine and iodine”. (OECD. (2024). “Environment at a Glance in the EU Eastern Partnership Countries”)

As the main factors determining Azerbaijan's position in the SC, it can be pointed out that it has geopolitical advantages, is rich in energy resources, and prefers bilateral cooperation. Thus, in terms of geopolitical and transport infrastructure advantages, Azerbaijan is an important transit bridge between Europe and Asia. The country's role in international transport corridors is increasing year by year. Another advantage is the transport infrastructure (Baku-Tbilisi-Kars railway and Baku International Sea Port, Zangezur Collider) ensuring the transformation of the country into a regional logistics hub. The fact that Azerbaijan is rich in energy resources (oil and gas reserves) is an important guarantee of energy security for

Europe. The Southern Gas Corridor project is of strategic importance in this regard. It allows for the protection of national interests by giving preference to bilateral cooperation formats.

When we conduct a comparative analysis, we see that countries such as Georgia, Moldova, and Ukraine have signed Association Agreements with the EU and entered the Comprehensive Free Trade Area. However, the weakness of their economies, institutional problems, and geopolitical tensions have caused them to face difficulties in integration. In Azerbaijan, it is based on the "selective integration" model. "In 2018, the EU and Azerbaijan agreed on a set of Partnership Priorities, which included strengthening institutions and good governance, economic development and market opportunities, connectivity and mobility, and people-to-people contacts. These priorities mainly reflected the focus areas of the EaP and did not go beyond sectoral cooperation" (Carnegie Endowment for International Peace. (2024). The EU and the South Caucasus: Geoeconomics at Play).

Azerbaijan's economic integration opens up new opportunities for regional development:

1. Azerbaijan's leading role in regional economic cooperation - the Middle Corridor (Trans-Caspian route) is the shortest trade route between Europe and Asia.
2. Contribution to Europe's energy security and economic diversification - Azerbaijan is a key partner in Europe's energy diversification strategy.
3. New opportunities: digital economy, green energy and transport and logistics - Solar and wind energy projects in Karabakh and Eastern Zangezur are a new area for cooperation with the EU. In terms of digital transformation, Azerbaijan's ICT sector can be developed jointly with Europe.

Prospects for further integration of Azerbaijan into the EU Eastern Partnership, economic development and mutual relations are considered. In a globalized economy, states unite in regional groups to achieve metagoals of humankind. While the European Union is one of the most powerful economic and political structures in the modern world, it is a natural partner for the states of the South Caucasus. Therefore, the EU Eastern Partnership Special Event meeting was held in Azerbaijan in April 2019, directed to highlight the South Caucasian countries' contribution to the priorities of the Eastern Partnership initiative. The EU Eastern Partnership highlights development of crucial sectors including trade and investment.

The dynamism of the Asian and Latin America economies is largely explained by closer integration among the countries within these regions. Hence, the question is whether there should also be a stronger focus on business-environment integration within the EU Eastern Partnership strategy, possibly through technical support for the implementation of key reforms in investment and trade facilitation policies.

A robust and dynamic business support system underpins the development of the business environment; therefore, the provision of quality, accessible services to facilitate business start-ups and development has become a priority for public policy throughout the world. The increasing recognition of the business support sector as a key driver in accelerating economic and social development is attracting the attention of international agencies, government departments, and decision-makers globally. Literature suggests that business support services and the accompanying business networks enable policy-makers to contribute more systematically to the national economic development agenda. International agencies have championed the introduction and enhancement of business support structures to improve commercial and industrial performance.

Conclusion

The analysis conducted in the article shows that Azerbaijan carries out economic integration within the framework of the SC in accordance with national interests. This model is based on pragmatism and strategic selectivity.

Azerbaijan has the most sustainable and flexible model of economic integration.

Energy and transport projects are the backbone of regional cooperation.

Azerbaijan not only benefits from integration but also influences the processes.

All this gives grounds to say that Azerbaijan will strengthen its status as a transit country by contributing to joint projects within the framework of the European Union.

Potential for Further Integration:

For Azerbaijan, the EU Eastern Partnership is linked more closely with energy concerns, as it is a producer and supplier of natural gas and an important transit country for oil and gas from the Caspian Sea region. The increasing EU demand for natural gas will draw Azerbaijan closer not only to the EU but also to Turkey, Greece, the Black Sea countries, and the Balkan states. Natural gas cooperation may have the added benefit of bringing Azerbaijan together with Russia and Iran, both of which are natural gas producers as well.

The creation of a stable integrated market, the removal of trade and other restrictions, and the introduction of Western regulations have a strong impact on Azerbaijan's economy. The Enhanced Partnership and Cooperation Agreement (EPCA) between Azerbaijan and the EU will provide a contractual basis for the development of cooperation in various areas. The association agreement with the EU will transform the relationship from being primarily an aid relationship to one allowing for considerably enhanced trade and financial flows. But in order to transfer general integration into concrete benefits and opportunities, trickle-down mechanisms have to be developed. The EU integration process in the countries of the Eastern Partnership can have real positive effects on the business environment, both through lowering obstacles for foreign businesses and by providing local enterprises with a clear vision for their development.

The EU's Eastern Partnership (EaP) initiative seeks to build a common area of shared democracy, prosperity, stability, and increased cooperation between the European Union (EU). Components of the initiative include improving the business environment; promoting economic development, trade, and investment; enhancing connectivity, transport, and energy links; strengthening the environment, combating climate change, and the sustainable use of energy; and expanding people-to-people contacts through cultural cooperation, education, and development of civil society.

Finally, we can say that Azerbaijan occupies a key strategic position within the region and is well-positioned to play a leading role in the emerging area of integration pursued under the EaP.

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