China's Direct Investments in Azerbaijan

Oleksandr Rogach, Aimin Tian

Introduction

China is the world's second-largest economy by gross domestic product (GDP), a position it has held since 2010. While consumption and services have been an emphasis in its industrial policies, the government continues to preserve investment and manufacturing as the main components of its economy. Additionally, through the Belt and Road Initiative (BRI)—a global infrastructure development strategy—China is leveraging its economic strength to create extensive trade and investment networks worldwide. The BRI aims to enhance connectivity and foster economic cooperation with over 150 countries, further extending China's influence and creating new markets for its goods and services.

The Chinese economy is larger than those of the next four economies — Japan, Germany, the United Kingdom, and India—combined. Its largest province, Guangdong, has a nominal GDP larger than Canada's, while the Yangtze River Delta, centered around Shanghai, boasts a GDP roughly the size of Germany's. The BRI plays a critical role in connecting these economically vibrant regions with trade routes and investment projects across Asia, Europe, and Africa. Through these projects, China is not only enhancing global infrastructure but also positioning itself as a hub of international trade.

China's resilience was further demonstrated as it posted positive growth through the pandemic. However, the country now faces challenges, including a shrinking workforce, reforms to reduce debt-fueled growth, mounting provincial debt, and trade tensions with the United States. Nevertheless, the BRI continues to offer a strategic pathway to mitigate some of these issues by opening new economic corridors and diversifying trade relationships, underscoring China's long-term economic potential on the global stage.

While the dynamism of China's private sector has resulted in economic development that has led hundreds of millions of people out of poverty over the past several decades, the country is still not considered a 'developed' economy on a per capita GDP basis. China GDP for 2023 was US$17,794.78B. In October 2024 the International Monetary Fund (IMF) adjusted its 2024 GDP growth prediction for China to 4.8 percent. (World Economic Outlook, October 2024).

A few decades ago China became an increasingly important global trade power. Recently it also became a powerful source of investment worldwide. Besides the direct effect of earning profits by Chinese investment companies, indirect benefits may be based on export-stimulating effect of the investments on China's exports. Thus, outward foreign direct investments (FDI) may potentially be a tool to promote Chinese goods in foreign markets. And the Belt and Road Initiative (BRI) became an important institutional tool to promote those investments.

This section will examine current trends in investment cooperation between China and Azerbaijan. The analysis will focus on the dynamics and sectoral priorities of FDI inflows from China, as well as some successful investment projects of Chinese firms in Azerbaijan.

1. Literature review

The investment cooperation between China and Azerbaijan have been reflected in the scientific literature. In recent years, the attention of researchers has focused on the dynamics and prospects of FDI inflows from China to Azerbaijan, sectoral priorities and changes in the structure of accumulated FDI.

Samir Mammadov (2019) explores the possible security challenges of the Silk Road Economic Belt project in the South Caucasus. As a gateway to the European market, Azerbaijan's existing transport infrastructure and investment climate encourage Chinese companies to participate more actively in Azerbaijan's economic activities. Hashimova Aliya (2018) believes that the construction of the New Silk Road will provide a historical opportunity to promote in-depth cooperation in regional political, economic, cultural and other fields. It will not only bring more opportunities for trade cooperation, but also significantly promote the exchange of culture, education and innovation between countries along the route. The new Silk Road will not only revitalize the ancient networks and connections in the region, but also establish new ones and further strengthen cooperation and regional partnerships along the border.

Yi Qing (2022) noted that Azerbaijan is located in the Transcaucasian region at the junction of Europe and Asia, which is the "heartland" and "crossroads" of Eurasia, and is one of the key nodes connecting Europe and Asian countries. China proposed the Belt and Road Initiative in 2013, and Azerbaijan actively supports the initiative and has become one of the founding countries of the AIIB. The outstanding geographical advantages have made Azerbaijan's position and role in the Belt and Road cooperation increasingly significant.

Guliyev Vusal Bussan (2018) argued that the Caucasus has become an arena for the competing interests of global and regional powers. The Silk Road is a route of cooperation, trade, exchange and dialogue, and many countries have put forward initiatives to develop the historic Silk Road, and China is the only one that has institutionalized the Belt and Road Initiative.

Xiangyu Niu (2022) came to the conclusion that China's energy cooperation with the Caucasus is in the long-term national interests of both sides, and that China and Azerbaijan have achieved certain results in energy investment in energy infrastructure, traditional energy, and renewable energy. However, there are also many deficiencies in the energy cooperation between the two sides, such as the mismatch between the contributions, benefits and status of Chinese energy companies, the imperfect legal mechanism of bilateral energy cooperation, and the insufficient new energy cooperation. It is necessary for the two sides to establish a regional dispute settlement mechanism, improve the energy cooperation system, and pay more attention to all-round cooperation in the field of renewable energy. This is not only in line with Azerbaijan's energy transformation and upgrading needs, but also of great significance to strengthening China's energy security.

Shamil Abbasov (2022) argued that although Azerbaijan has attracted a lot of FDI after gaining independence, it has not yet reached its full potential. It is recommended that the Government of Azerbaijan take more measures and actions, such as expanding the size of the country's market, thinking about ways to make efficient use of the country's natural resources, promoting trade openness in Azerbaijan, and adopting inflation-controlled policies to stimulate FDI inflows.

Shoubai Gao (2012) wrote that since the beginning of the 21st century, Azerbaijan's economy has developed rapidly, thanks to its abundant oil and gas resources, good geographical location, and the influx of foreign capital, the oil and gas industry is the cornerstone of Azerbaijan's economy. In his opinion, this opens up great opportunities for Chinese investment in this country.

Jin Zhang, Xuefeng Hao, & Jianliang Zhao (2023) noted that the regional geological characteristics and advantageous mineral resources of Azerbaijan, analyzes the current situation of mineral resources development, analyzes the mining investment environment, and puts forward suggestions for investment in Azerbaijan, in order to provide reference for China's overseas mining investment. At the same time, Chinese firms can play a big role in the diversification of the Azerbaijani economy and in the development of high-tech sectors.

Yanyun Zhang, Meng Liang, Li Sun, & Yingying Peng (2019) concluded that Western countries have seized the lead in Azerbaijan's oil and gas sector through their geographical advantages, political influence, and traditional economic ties, as well as their advantages in capital and technology. After years of development, the oil and gas cooperation between China and Azerbaijan is generally small in scale, but the cooperation is deepening.

Mammadova (2023) notes that Chinese investments can create networks of local suppliers in Azerbaijan. This is especially important for small and medium-sized firms, which can be included in such value chains. In the non-oil sector of the economy, Azerbaijani small enterprises can enter into cooperation agreements with Chinese firms in the production of agricultural or food products, in the clothing or manufacturing industry.

Hanya, & Jinping Chang (2020) noted that China is the major oil and gas consumer on the world and its dependence on oil and gas imports has gradually increased in recent years. This situation highlights that diversification of oil and gas sources has become an important goal to ensure China's energy security. The paper also examine the current situation and risks of Chinese enterprises investing in the oil and gas sector in Azerbaijan and their risk mitigation strategies.

Babayev, & Ismailzade (2020) highlighted Azerbaijan's Contribution to the Chinese Belt & Road Initiative. Authors concludes that China and Azerbaijan should closely work to strengthen the BRI's influence in Central Asia and South Caucasus and priorities the Trans-Caspian International Transport Route (TITR) passing through Azerbaijan.

2. Theoretical background for empirical research

International business theory has developed fundamental theoretical approaches to the analysis of FDI and the activities of multinational enterprises (MNEs). These approaches cover the determinants of FDI, mechanisms of internationalization, forms and methods of entry into the host country, as well as macroeconomic effects of capital export abroad.

The emergence and rapid development of Chinese multinational enterprises has become a new phenomenon in global business over the past twenty years. Despite the significant specificity of their internationalization, many aspects of the operations of Chinese MNEs in BRI countries, in particular in Azerbaijan, can be successfully analyzed through the prism of existing theories of capital export.

For example, the eclectic theory (Dunning, 2000) highlights three key aspects that explain the emergence of Chinese multinational enterprises (ownership advantages, internationalization advantages, and localization advantages). In the Dunning eclectic paradigm ownership advantages is a key category for understanding the causes of foreign direct investment (Dunning, 1981). This primarily concerns firm-specific assets that enable a firm to overcome entry barriers in the host country.

Chinese multinationals such as Haier, CNPC, CATL, Alibaba, Lenovo and many others confirm these theoretical postulates. Once these firms created firm-specific assets, they began successful global expansion. Such firm-specific assets of Chinese firms include not only their modern technologies, but also the ability to organize flexible production, access to cheap financial resources, and the advantages of a scale economy. The presence of such firm-specific assets not only enables firms to significantly increase FDI, but also contribute to the economic development of host countries. Further in our section, we will show examples of how Azerbaijan can use firm-specific assets of Chinese high-tech firms.

Internalization theory focuses on the firm as an industrial organization and gives an analysis of intrafirm operations and an analysis of the cost to organize operation/transaction (Rugman, 2010). This approach considers an MNE as a firm with internalized operations. This means that firms want to be multinationals because organizations that create internal markets are more efficient than organizations that operate within traditional markets. Internalization allows MNEs to reduce transaction costs, to preserve the firm's specific assets worldwide; to control the activity of its branches; to maximize profits worldwide (Buckley, 2016; Rogach 2020).

The theory of internalization well illustrates the fact why Chinese enterprises often prefer to have vertically integrated structures that are hierarchically subordinate to headquarters. This is especially true for large Chinese MNEs, which are conglomerates and combine many industries. Due to the advantages of internalization, they significantly reduce transaction costs and protect firm-specific assets from being copied by competitors. Many Chinese firms with projects in Azerbaijan are state-owned or partially state-owned enterprises. They also prefer to have vertically integrated management ties of their local units with parent firms in China. The theory of internalization provides an explanation for this fact and helps to better understand the features of strategic management of Chinese firms in Azerbaijan.

Resource based theory proves that the main determinant of MNE competitiveness is the stock of "strategically valuable" resources (Barney, 1991). The second component of an MNE's unique resources is the rarity of resources. MNEs should possess imperfectly imitable resources. It is very hard (or impossible) to separate these resources from the firm at all, they are not movable because they are embedded in its organizational process. The VRIO Model (Barney, 1995) explains different types of competitive advantages of MNEs on the basis of the VRIO model (competitive disadvantage, competitive parity, temporary competitive advantage, and sustained competitive advantage).

Knowledge base theory focuses on knowledge creation by an MNE. MNEs exist because transfers and re-combinations of knowledge occur more efficiently inside MNEs than between MNEs and third parties. The main ideas of this approach are the following: the value of an MNE is defined as its store of knowledge; the expansion of the firm's boundaries is related to the transfer of knowledge (Kogut and Zander, 1993). The concept of "tacit knowledge" has become one of the main categories of the knowledge base theory. It can be noted as "hidden" knowledge, or inherently implicit knowledge. The MNE is an organization which creates tacit knowledge and organizes its international transfer between its structural units.

The activities of Chinese companies in Azerbaijan confirm many of the arguments of the above theories. Chinese multinational firms have made considerable progress in innovations, technology and knowledge development within recent decades. Technological accumulation within the Chinese firms are linked to their unique strategies and cultural mechanisms. This unique set of knowledge management strategies includes alliances with foreign companies, business mergers and acquisition, as well as close cooperation between the private, education and public sectors. A significant amount of Chinese FDI in Azerbaijan is directed to projects with modern technology. Chinese firms demonstrate their unique technological advantages in these projects. Azerbaijani enterprises can gain many valuable insights from Chinese firms "technology catch-up" and knowledge development. They can copy the development path of Chinese firms through alliance and cooperation with them.

Tracing the path of internationalization of Chinese firms, in particular the forms and methods of their operations in the BRI countries, one can notice significant differences in business strategies. The three case studies presented in this section also show different rates and forms of internationalization of Chinese companies' operations in Azerbaijan. International business theory can also be applied to analyze such specifics of Chinese firms.

The Uppsala model assumes that internationalization is a gradual process. Increasing involvement in the foreign market depends on the accumulation and assimilation of knowledge about it (Johanson & Vahlne, 1977). The transition from one type of foreign market service to more complex forms may cause changes in the structure of FDI. For example, the transition from FDI in warehouses, logistics or packaging facilities to investments to manufacture components or assembly operations will cause significant structural shifts in FDI. As Johanson and Vahlne argue, the MNE will make such changes only after the accumulation of knowledge and on the basis of simple operations in a foreign country (Johanson & Vahlne, 1990).

The Uppsala Internationalization model considers the internationalization of business to be a step-by-step process. First, firms gain experience in simple operations (no regular export activities). Later, firms expand foreign operations in more complicated forms (establishing a foreign sales subsidiary). Much later, firms expand business via FDI in foreign production (production affiliates). International business means overcoming "psychic distance". "Psychic distance" is the difference between home and foreign markets (linguistic, cultural differences, and differences in business ethics). MNEs start their foreign operations from culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries.

The success or otherwise, the failure of Chinese firms in many BRI countries can be better understood in light of the above arguments of the Uppsala model. The gradual, phased expansion of some Chinese firms' operations in Azerbaijan can also be explained by the accumulation of local market knowledge and the unwillingness to expose themselves to the high risks of large investments. The Huawei case study shows how this company, starting in the early 2000s, gradually increased its involvement in the Azerbaijani economy and created strategic partnerships with many enterprises.

On the other hand, many Chinese enterprises are internationalizing very quickly in the BRI countries. They are challenging Uppsala's theory of gradual internationalization and are demonstrating very successful international operations. To analyze the export of capital by such firms, the theory of international business offers another approach, which is called born global (Cavusgil, & Knight, 2004). In China, every year, a new generation of such born global firms is rapidly increasing, so the methodology of the new approach is becoming more relevant.

The Born Global (International new ventures) theory developed an opposite view to the Uppsala model. It considers the Uppsala Model to be outdated and wrong. The “Born Global” internationalization strategy implies early and fast internationalization; small size of international new ventures and new sources of competitive advantages of the firm. International new ventures depend heavily on alternative management structures; they have highly mobile valuable knowledge. Small and medium hi-tech firms, global start-ups, innovative service companies typically follow the “Born Global” strategy (Cavusgil, & Knight, 2015).

The “Born Global” Chinese firms have specific organizational knowledge, unique organizational capabilities and innovation culture. Flexible management models and an emphasis on cooperation with local firms are one of the features of Chinese Born Global firms. In recent years, Chinese firms have also sought to actively develop partnerships and network structures in Azerbaijan. The case study Wenzhou Vanhong Trading Co shows that this firm choses the form of a joint venture to quickly increase its presence in the local market.

To explain the characteristics of Chinese investments in Azerbaijan, it is necessary to distinguish different types of Chinese international enterprises and the different motives for their investments in the host country.

Developing his eclectic theory, Dunning (1981) identified resource-seeking MNEs, market-seeking MNEs, as well as MNEs-seekers of cheap factors of production (low labour costs). Each of these types of firms will have a different impact on a country’s exports and imports. Many resource-based firms supply either unprocessed raw materials or semi-finished products with a large raw material component back to their home country. This situation is typical for oil and gas, mining companies, and wood processing enterprises. FDI in agriculture projects also falls into this category. For example, most MNEs in agribusiness supply tropical fruits or other agricultural products to their home country. Many Chinese direct investments in BRI countries are resource-oriented.

Market-seeking MNEs strive to bring the production of goods closer to the areas of their consumption. The motive for such FDI is to reduce transport costs for the delivery of goods, to overcome tariff barriers, or to simply better serve local markets and to take into account local specific consumer tastes.

In recent years, an increasing number of Chinese firms have been MNEs-seekers of cheap factors of production (low labour costs). The relocation of certain types of enterprises to countries with cheaper labour is likely to be more intensive in the future due to rising wages in many sectors of the Chinese economy.

Many BRI countries could benefit from such investments by Chinese firms. In the case of Azerbaijan, all three types of Chinese enterprises have prospects for expanding FDI in the country. The country’s significant oil and gas resources could attract FDI from Chinese firms in this sector. A growing local market creates incentives for consumer-oriented Chinese firms. Differences in labor costs could also drive FDI flows into some sectors of the country.

3. China’s FDI in the Industrial Sector of Azerbaijan

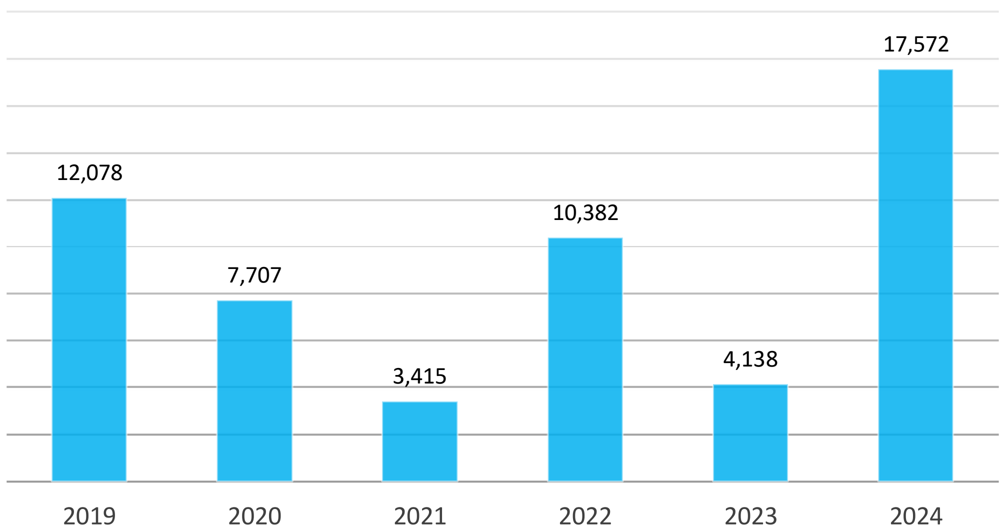
As early as 1994, China and Azerbaijan signed Agreement Concerning the Encouragement and Reciprocal Protection of Investments, which is the first Bilateral Investment Treaty (BIT) between the two countries and provides China investors with recourse to settle investment disputes, as far as possible, by consultation through diplomatic channel. The BIT has played a pivotal role to promote Chinese FDI.

According to the Export and Investment Promotion Agency (AZPROMO), from 1995 to 2023. China's direct investments totaling 930.8 million US dollars in Azerbaijan. Of this amount, 754.1 million US dollars were allocated to the oil and gas sector, while 176.7 million US dollars were directed to the non-oil and gas sectors. Currently, 245 Chinese companies are actively engaged across various sectors in Azerbaijan, including industry, agriculture, transport, construction, trade, and services (Azernews, 2024a).

Over the period of 2019-2024, China's annual outward FDI into Azerbaijan experienced substantial fluctuations. During the pandemic, the FDI flow dropped to a low of US$3,415 thousand in 2021. In the next two years, it rebounded somewhat, and then fell back into an investment trough again. In 2024, it increased significantly to 17,572 thousand US$ (Central Bank of the Republic of Azerbaijan, 2025). The surge in FDI this year was the highest in decades, exceeding by 40 percent the previous peak in capital outflows from China to Azerbaijan in 2019. The general upward trajectory post-2019 suggests that China views Azerbaijan as a long-term partner, especially within the framework of the BRI.

Figure 1: China's Outward FDI in Azerbaijan from 2019 to 2024

(in thousand of US$)



Source: Central Bank of the Republic of Azerbaijan. (2025, January). External sector statistics. Retrieved March 28, 2025, from https://www.cbar.az/page-43/external-sector-statistics

Chinese investments in Azerbaijan's industrial sector have been instrumental in enhancing local manufacturing capabilities and fostering economic diversification. This industrial collaboration encompasses multiple areas, including the oil and gas industry, ceramics production, and advanced technology for infrastructure development.

The energy sector has seen significant contributions from Chinese companies like China National Petroleum Corporation (CNPC), which first entered Azerbaijan in 2002. CNPC has focused on oil and gas exploration and production, establishing a stronghold in the K&K oil field and the Gobustan oil field. Through production-sharing contracts and acquisition of stakes in local firms, CNPC has supported Azerbaijan’s oil and gas industry with both capital and technical expertise, contributing to technological advancements in drilling and well-logging services.

In addition to energy, manufacturing plays a crucial role in the China-Azerbaijan industrial collaboration. A prominent example is the Sumgait Chemical Industrial Park, where China’s Wenzhou Vanhong Trading Co. invested heavily in establishing a ceramic production facility. Additionally, a joint venture with China Power Engineering Company to establish a tire factory is expected to have a total investment of US$300 million (China International Contractors Association (CHINCA), 2019), which supply both domestic and regional markets, illustrating the diversification of China’s industrial investments in Azerbaijan.

Moreover, the China-Azerbaijan Industrial Park project, launched in 2015 in the Alat Free Economic Zone, is another significant initiative backed by a substantial US$6.8 billion investment. The project spans 2,000 hectares, with over 60 planned factories to serve as hubs for trade between Europe and Asia. This industrial park fosters a business-friendly environment, supported by both governments, to boost economic growth and position Azerbaijan as a regional industrial hub.

Another China-Azerbaijan planned free trade industrial park is located in the Karadağ district of Baku. It covers an area of 1,000 hectares. The key industries planned for the park include new energy, logistics, industrial manufacturing, modern agriculture, and financial services, with an expected investment exceeding US$700 million. According to the cooperation agreement, the Shenzhen Regional Economic Cooperation Promotion Association will be responsible for the planning, investment attraction, construction, and operation of the park, while the Azerbaijani side will provide relevant supporting policy service. (The Belt and Road Portal, 2017).

Once completed, the project is expected to attract over a hundred Chinese enterprises to invest and establish factories, effectively achieving complementary advantages and policy alignment in economic and trade cooperation between China and Azerbaijan. It will significantly increase the employment rate of Azerbaijan's surplus labor force and provide a strong platform and business opportunities for Chinese companies looking to invest in Azerbaijan (Wang, 2018).

Beyond the industrial sector, China’s foreign direct investments in Azerbaijan extend to telecommunications, renewable energy, and public transportation, focusing on infrastructure development and modernization. The influence of Chinese technology companies, particularly in the digital and green technology sectors, has been profound. Digital transformation is the number one priority for Azerbaijan in its national agenda, based on its sustainable development goals. In Azerbaijan's green transition agenda, China acts as a vital partner, with Chinese companies playing a significant role in diversifying Azerbaijan's economy as it moves toward green growth.

Huawei, for instance, has been a crucial partner in Azerbaijan's digital transformation. Huawei partnered with Azerbaijan’s telecom provider to introduce 5G infrastructure. This parnership not only modernized telecommunications but also created job opportunities and facilitated technical training for Azerbaijani engineers. Additionally, Huawei supports Azerbaijan’s national digital hub initiative, a strategic move aimed at enhancing cross-border data exchange and establishing Azerbaijan as a key player in the Asia-Europe digital corridor.

Green technology represents another area where Chinese FDI is making an impact. Companies like BYD have announced plans to manufacture electric buses in Azerbaijan, contributing to sustainable urban mobility in Baku. Furthermore, Chinese investments are instrumental in renewable energy projects, particularly in solar power and wind energy. In October, 2024 during the third Belt and Road Energy Ministers' Conference in China, Azerbaijan's Minister of Energy, Parviz Shahbazov, discussed various renewable energy initiatives with leaders from China Energy Engineering Group International. These initiatives include offshore wind projects in the Caspian Sea, local production of renewable energy equipment, and significant solar projects in the Fuzuli District (Azernews, 2024b). This shift toward green technology not only aligns with global environmental standards but also reflects Azerbaijan's focus on economic diversification.

Additionally, these renewable projects are part of Azerbaijan's broader strategy to reduce dependency on hydrocarbons and enhance its international image. The establishment of partnerships for projects like the green energy corridor and joint research centers indicates Azerbaijan's commitment to advancing its renewable energy capacity.

Chinese FDI in the logistics sector underpins Azerbaijan's ambition to become a central player in the Belt and Road Initiative (BRI). Investments in infrastructure, such as the free-trade industrial park in Karadagh, facilitate trade flows across the region, bolstering Azerbaijan's connectivity with global markets and fostering sustainable economic growth. Through these multifaceted investments, China has become a strategic partner in Azerbaijan's development across various sectors, supporting the nation's vision of a diversified and resilient economy. Ultimately, Azerbaijan's increased focus on green technology is driven both by the desire to enhance its international standing and the critical goal of diversifying its economy through Chinese investments (Kladensky, 2024).

4. Case Studies: Chinese firm's Projects in Azerbaijan

Chinese investments in Azerbaijan reflect a strategic approach to strengthening economic ties and enhancing regional cooperation under the Belt and Road Initiative (BRI). In recent years, several high-impact projects have showcased the depth and diversity of Chinese involvement in Azerbaijan's development across sectors such as energy, manufacturing, and digital infrastructure. These projects illustrate not only China's commitment to Azerbaijan's economic growth but also highlight the mutual benefits of a partnership focused on economic diversification and technological advancement.

This part will delve into three Chinese projects that embody these principles. First, we examine the investments of China National Petroleum Corporation (CNPC), a longstanding partner in Azerbaijan's oil and gas sector since 2002. CNPC's ventures in the K&K and Gobustan oil fields, along with its role in engineering services, demonstrate the strategic integration of Chinese expertise in Azerbaijan's traditional energy sector. Through CNPC's activities, Azerbaijan has gained access to advanced oilfield technology and expertise, which are crucial for optimizing production and enhancing the technical capacity of its energy sector.

The second case study focuses on Wenzhou Vanhong Trading Co.'s establishment of a large-scale ceramic production facility in the Sumgait Chemical Industrial Park. With an investment exceeding US$40 million, this facility represents a significant contribution to Azerbaijan's local manufacturing industry. The project has created jobs, developed local expertise in high-quality ceramic production, and underscored the potential of China-Azerbaijan cooperation in industrial manufacturing.

Finally, Huawei's role in advancing Azerbaijan's digital infrastructure marks a major step toward the country's goal of becoming a regional digital hub. Huawei's partnership with Azercell to implement 5G technology, alongside various educational and digital integration initiatives, has modernized Azerbaijan's telecommunications sector and provided significant training opportunities for local engineers. Huawei's involvement exemplifies how Chinese technology can foster Azerbaijan's transition to a knowledge-based, digitally integrated economy.

Each of these projects serves as a model of successful Chinese-Azerbaijani collaboration, illustrating how targeted investments under the BRI framework can bolster Azerbaijan's economic resilience and development while positioning the country as a key player in the region. This section will explore the details, scope, and impacts of these individual projects, highlighting their contributions to Azerbaijan's broader economic objectives.

Case Study 1: China National Petroleum Corporation's (CNPC) Investments in Azerbaijan (CNPC, 2024)

Overview of CNPC's Investment Projects

China National Petroleum Corporation (CNPC) entered Azerbaijan's oil and gas industry in 2002. Over the years, CNPC has significantly contributed to Azerbaijan's oil and gas sector by investing in exploration, development, and technical services. This case study examines CNPC's key investment projects in Azerbaijan, focusing on the K&K and Gobustan oil fields, and its strategic collaboration with SOCAR through the GPC Project.

Table 2: Major CNPC Investment Projects in Azerbaijan

Project	Year of Entry	Ownership Share	Location	Key Activities
K&K Oil Field	2002	50%	Kura Basin, Azerbaijan	Oil and gas exploration and production
Gobustan Oil Field	2003	50.26%	Gobustan Concession Area, Caspian Sea Coast	Gas and condensate exploration and production
GPC Project	2016	N/A	Garadagh, 15 km south of Baku	Development of petrochemical industry

Source: CNPC, 2024; The Azerbaijan State News Agency, 2021

K&K Oil Field Project

In January 2002, CNPC signed a Production Sharing Agreement (PSA) for the K&K (Kursangi & Karabagli) oil field, which spans 470 square kilometers in Azerbaijan's Kura Basin. CNPC secured a 50% equity stake in this oil field, marking its initial entry into Azerbaijan's upstream oil sector.

The K&K field represents a critical component of CNPC's investment portfolio in Azerbaijan. Its acquisition reflects CNPC's strategic interest in securing a foothold in the Caspian region, known for its oil-rich reserves. Through this partnership, CNPC has undertaken extensive exploration and development activities to increase oil production levels in the region.

Gobustan Oil Field Project

In January 2003, CNPC expanded its investment portfolio by acquiring a 62.83% share in Commonwealth Gobustan Limited (CGL), which enabled the company to gain a 50.26% equity stake in the Gobustan oil field. Located on the western coast of the Caspian Sea, this field spans approximately 600 square kilometers and is recognized as one of Azerbaijan’s key onshore hydrocarbon reserves.

Key Developments:

- DUV-102 Exploration Success: In October 2004, CNPC drilled a successful exploratory well, DUV-102, in the Duani area of the Gobustan field, achieving a daily production of 250,000 cubic meters of natural gas and 60 cubic meters of condensate.

- Deep Drilling Operations: In 2005, CNPC initiated deep drilling operations to further enhance the field’s output.

Engineering and Technical Services

Apart from exploration and production, CNPC has been providing technical services in Azerbaijan’s oil and gas sector since 2003. These services include drilling, logging, and well servicing, with clients such as SALYAN Oil Ltd., SOL, and GOC. This segment of CNPC's business has been instrumental in improving the operational efficiency of local oil fields.

Strategic Partnership with SOCAR: The GPC Project

In 2016, CNPC entered into a strategic collaboration with SOCAR, Azerbaijan’s state-owned oil company, through the Gas Processing and Petrochemical Complex (GPC) Project. This project aims to establish an integrated value chain from upstream to downstream operations in Azerbaijan’s petrochemical industry.

Investment Milestones:

- Belt and Road Forum: In May 2017, a memorandum of understanding was signed among CNPC, China Development Bank, and SOCAR, affirming their commitment to the GPC Project. This investment exceeds US$4 billion, making it the largest investment between China and Azerbaijan in the oil and gas sector to date.

- Project Objectives: The GPC Project is designed to modernize Azerbaijan's petrochemical industry, transforming the country into a global petrochemical player and maximizing the value of Azerbaijan's natural resources.

Summary and Strategic Implications

CNPC's investment in Azerbaijan's oil and gas sector has bolstered economic cooperation between China and Azerbaijan. Through the K&K and Gobustan fields, CNPC has established a strong presence in upstream oil production. Moreover, the GPC Project represents a strategic initiative to integrate and modernize Azerbaijan's petrochemical industry, aligning with China's Belt and Road Initiative (BRI) and furthering Azerbaijan's role as a key energy player.

CNPC's commitment to Azerbaijan's oil and gas industry exemplifies China's broader strategy to diversify its energy sources and strengthen ties with Central Asia and the Caspian region. The investments have brought advanced drilling technologies and expanded production capacities, while the GPC Project marks a transformative step for Azerbaijan's petrochemical sector. The collaboration benefits both countries, enhancing Azerbaijan's energy infrastructure and supporting China's energy security initiatives.

This case study illustrates CNPC's impactful role in Azerbaijan's oil and gas industry and highlights the mutual benefits of Chinese investment in Azerbaijan's energy landscape (The Azerbaijan State News Agency, 2021c).

Case Study2: Azerbaijan Vanhong Ceramics Co., Ltd.

Overview of Azerbaijan Vanhong Ceramics Co., Ltd.

Azerbaijan Vanhong Ceramics Co., Ltd. is a pioneering company in Azerbaijan's ceramics industry, developed as a joint project between China and Azerbaijan. Founded by Wenzhou Vanhong Trading Co., Ltd., the company is strategically located in the Sumgait Chemical Industrial Park in Azerbaijan, a site designed to facilitate industrial growth and economic cooperation between the two nations.

Table 3: Overview of Azerbaijan Vanhong Ceramics Co., Ltd

Company Details	**Description**
Founded	July 12, 2021
Investor	Wenzhou Vanhong Trading Co., Ltd.
Location	Sumgait Chemical Industrial Park, Azerbaijan
Total Investment	600 million CNY (approx. US$90 million)
Facility Size	20.58 hectares
Production Start Date	Trial production began June 8, 2023

Source: Embassy of the People's Republic of China in the Republic of Azerbaijan, 2023

Project Objectives and Scope

Vanhong Ceramics was established with the primary goals of addressing local demand for high-quality ceramics and setting an example of Sino-Azerbaijani industrial cooperation. The facility consists of two state-of-the-art production lines, each with an impressive annual capacity. The first line alone can produce up to 15 million square meters of tiles per year, while the total planned annual capacity for both lines reached 30 million square meters. This production output demonstrates the company's commitment to high efficiency, quality, and scale.

The factory focuses on producing ceramic tiles in various sizes and designs, with each product emphasizing durability, quality, and aesthetic appeal. This product diversity and quality have earned Vanhong Ceramics a strong reputation among local consumers.

Table 4: Production Capacity of Azerbaijan Vanhong Ceramics Co., Ltd

Production Line	**Annual Production Capacity**
Line 1	15 million m²
Line 2 (planned)	15 million m²
Total	**30 million m²**

Source: Azerbaijan Wanhong Ceramics Co., Ltd. - Nixin (Wenzhou) Enterprise Management Co., Ltd., 2024

Economic and Social Impact

The establishment of Vanhong Ceramics has provided substantial economic benefits to the Sumgait region and Azerbaijan as a whole. With an initial investment of approximately US$40 million, the project has already contributed close to 300 local jobs, which fosters local skill development and economic growth. As the first Chinese-invested ceramics factory in Azerbaijan, it sets a positive precedent for further foreign investment in the region.

In addition to creating jobs, Vanhong Ceramics also enhances the quality and availability of building materials in Azerbaijan. By manufacturing domestically, the company reduces dependency on imported ceramics, lowering costs for consumers and builders. This development aligns with Azerbaijan's economic goals by improving local industrial output and strengthening the trade relationship with China.

Table 5: Social and economic impacts of Azerbaijan Vanhong Ceramics Co., Ltd

Area of Impact	**Description**
Job Creation	Provided approximately 300 employment opportunities for locals
Industrial Growth	First major Chinese ceramics investment, signaling a new phase of industrial development
Domestic Production	Reduced dependence on imported ceramics, supporting local construction industry
Sino-Azerbaijani Relations	Strengthened bilateral trade and economic ties

Source: Azerbaijan Wan Hong Ceramics Factory was successfully ignited! - Nixin (Wenzhou) Enterprise Management Co., Ltd., 2023

Summary and Strategic Implications

Azerbaijan Vanhong Ceramics Co., Ltd. stands as a benchmark for Sino-Azerbaijani collaboration, with promising economic and social impacts that extend beyond its immediate operations. As the facility scales, it reduces Azerbaijan's dependency on imported ceramics, strengthens the local construction industry, and supports the government's goals for economic diversification. The company's commitment to local employment and skill development also adds social value, fostering workforce growth and community stability in Sumgait.

Looking ahead, Vanhong Ceramics is well-positioned to meet growing domestic demand and potentially expand into export markets, contributing further to Azerbaijan's industrial sector. This project not only enhances the local economy but also strengthens bilateral ties, showcasing the potential of well-planned foreign investments to drive sustainable growth and development).

Case Study3: Huawei's Telecommunications Partnership (Zhao et al., 2021)

Introduction

Azerbaijan has been actively working toward becoming a digitally advanced nation. The country's journey began with the National Strategy on Information and Communication Technologies for the Development of the Republic of Azerbaijan (2003-2012), initiated in 2003 by former President Heydar Aliyev, which laid out essential goals for building a strong ICT foundation. Since the 2010s, under President Ilham Aliyev's leadership, Azerbaijan has accelerated its focus on expanding high-tech industries through multiple initiatives. These include establishing the E-Gov Development Center, ASAN service centers, Single Window systems, and high-tech parks, all aimed at advancing digital integration across society, government, and the economy. The government views digital technologies as crucial for effective governance and as a driver of economic competitiveness, fueling its commitment to science, technology, and innovation.

Huawei's involvement in Azerbaijan's digital landscape has been pivotal, particularly in the post-conflict regions like Karabakh. Huawei's role extends beyond telecommunications to include digital infrastructure, educational programs, and sustainable "smart village" solutions, which are integral to Azerbaijan's national digitalization strategy and efforts to become a regional digital hub. This case study examines Huawei's contributions to Azerbaijan, emphasizing the impact of these efforts on the nation's economic growth, digital transformation, and regional connectivity.

Timeline of Huawei's Involvement in Azerbaijan

Early 2000s – Initial Entry into Azerbaijan's ICT Sector

Huawei entered Azerbaijan by providing telecommunications services to local mobile operators, establishing its reputation as a key technology partner. Early projects laid the foundation for future digital collaborations across sectors.

2011 – Strategic Partnerships Established

President Ilham Aliyev met with Huawei's leadership at the World Economic Forum in Davos, signaling official recognition of Huawei's role in advancing Azerbaijan's digital capabilities. This engagement underscored Azerbaijan's intent to partner with global tech leaders to support its digital agenda.

2015 – Strengthened Cooperation during State Visit to China

During a state visit to China, President Ilham Aliyev toured Huawei's Beijing facilities, where discussions centered on implementing smart infrastructure in Azerbaijan. This visit highlighted Huawei's increasing influence in Azerbaijan's digital and economic sectors, focusing on high-tech solutions for the government and economy.

2018 – Azerbaijan Digital Hub Initiative Launched

Huawei joined the Azerbaijan Digital Hub initiative to support Azerbaijan's ambition to become a regional digital hub. Huawei's role included providing advanced infrastructure for cross-border data exchange, which is critical for positioning Azerbaijan in the Asia-Europe data corridor (Zhao et al., 2021).

2019 – Smart Villages and ICT Training Programs Initiated

Huawei launched pilot projects for smart villages in Karabakh, such as the Aghali project in Zangilan, to bring high-speed broadband connectivity to rural areas.

The Ministry of Digital Development and Transport collaborates with Huawei on the "Seeds for the Future" program, which engages students annually from Azerbaijan Technical University, ASOIU, Nakhchivan University, and others. Dozens of Azerbaijani students and tech employees have trained at Huawei's headquarters in Shenzhen, gaining critical ICT skills. Additionally, Huawei has established ICT Academies at institutions like Baku Engineering University and Baku State Vocational Training Center, with practical labs for hands-on experience in emerging technologies. In 2019, Huawei and Baku Higher Oil School (BHOS) launched an ICT Academy and a joint lab, where Huawei provides equipment and software for advanced research in process automation. Plans are underway for additional ICT centers at ASOIU and AzTU (Zhao et al., 2021).

2021 – Establishment of R&D Partnerships

In December 2021, Huawei partnered with ADA University and Azerbaijan's Ministry of Digital Development to create a joint R&D center focused on developing innovative technologies and nurturing local tech talent through collaboration with Huawei engineers.

2022 – Expansion in Karabakh Region Reconstruction

Huawei expanded its role in Karabakh's digital reconstruction by deploying AirPON technology, delivering high-speed connectivity to remote mountainous areas. This development supported economic activities in agriculture, healthcare, and other essential services.

Analysis of Huawei's Impact

Huawei's contributions in Azerbaijan underscore the transformative power of digital partnerships in achieving national development goals. The company's investment in digital infrastructure has facilitated connectivity in previously underserved regions, particularly in post-conflict zones, aligning with Azerbaijan's reconstruction objectives. The smart village concept in Karabakh, bolstered by Huawei's AirPON technology, has laid a digital foundation for returning populations, integrating sustainable infrastructure in areas vital to economic revitalization.

Additionally, Huawei's educational initiatives, like the ICT Academies and the Seeds for the Future program, address Azerbaijan's skill gaps by providing students and young professionals with access to training in critical digital fields. This focus on workforce development directly supports Azerbaijan's ambition to build a knowledge-based economy driven by local expertise.

Summary and Strategic Implications

The Azerbaijan Digital Hub initiative, supported by Huawei, furthers Azerbaijan's vision of becoming a transnational data hub. By enhancing cross-border data exchange capabilities, Huawei is helping Azerbaijan reduce reliance on external internet providers, establishing the nation as a crucial data transit point between Asia and Europe.

Huawei's recent Xinghe Intelligent Network launch exemplifies its ongoing role in enhancing Azerbaijan's connectivity and digital infrastructure. As Azerbaijan continues to prioritize data security, Huawei's technologies are integrated with cybersecurity measures to protect digital assets, demonstrating a balanced approach to technological advancement and network safety.

By aligning with Azerbaijan's strategic digital priorities, Huawei has become an indispensable partner in the country's technological advancement and digital empowerment, positioning Azerbaijan as a regional leader in the Asia-Europe digital corridor. This collaboration continues to shape the nation's digital future, enhancing its socio-economic resilience and technological independence.

4. Role of China in infrastructure development of Azerbaijan

Infrastructure development is a critical component of Azerbaijan's economic growth strategy, and in recent years, China has played a significant role in modernizing the country's transport, energy, and communications sectors. Aligning with both nations' strategic priorities and as part of the Belt and Road Initiative (BRI), Chinese companies have actively participated in the construction of major projects across these key areas, bringing expertise, financing, and advanced technology to bolster Azerbaijan's connectivity and economic integration. These collaborative efforts not only enhance Azerbaijan's ambition to become a regional hub linking Asia and Europe but also demonstrate China's commitment to its BRI goals of enhancing cross-border infrastructure and fostering sustainable economic growth. Through these initiatives, China and Azerbaijan are fostering stronger economic ties and promoting regional stability and prosperity.

Strengthening Industrial and Transportation Infrastructure

China has made considerable contributions to Azerbaijan's industrial sector, with projects that support both infrastructure and regional connectivity. By focusing on essential infrastructure like steel production, Chinese firms are helping Azerbaijan secure the raw materials necessary for broader construction and industrial growth.

Key Project: CAMCE's Steel Mill in Ganja

In December 2018, China CAMC Engineering Co., Ltd. (CAMCE) signed a contract with an Azerbaijani steel company valued at US$1.17 billion for the construction of a large steel mill in Ganja. This mill will be instrumental in supplying steel for various infrastructure projects, from roads to railways, strengthening Azerbaijan's capacity to develop its own infrastructure. The project also underscores CAMCE's commitment to investing in Azerbaijan's industrial capacity, making it a critical partner in Azerbaijan's economic and infrastructure development goals. This steel mill is expected to contribute to Azerbaijan's self-sufficiency in construction materials, reinforcing its position as a transit hub with robust domestic resources (The Azerbaijan State News Agency, 2018).

Energy Infrastructure

Advancing Energy Infrastructure: The Baku Thermal Power Plant

On February 14, 2023, Azerbaijan celebrated the groundbreaking of its largest thermal power plant in Baku, where China's Dongfang Electric Corporation (DEC) is playing a pivotal role by supplying critical equipment, such as boilers and transformers. This plant will reinforce Azerbaijan's power grid reliability. With DEC's technological expertise, Azerbaijan gains valuable capacity in its traditional power sector to meet growing energy needs while modernizing equipment for higher efficiency (Belt and Road Portal, 2023).

Pioneering Renewable Energy: Solar Power Projects

China's involvement in Azerbaijan's renewable energy sector addresses two crucial priorities: reducing Azerbaijan's dependence on fossil fuels and meeting environmental targets, demonstrating China's contribution to Azerbaijan's energy infrastructure traditional projects Through solar energy projects, Chinese firms are helping Azerbaijan diversify its energy sources, ensuring sustainable development.

Key Project: The Gobustan 230 MW solar power station

In September 2022, China's PowerChina signed a contract to design the Gobustan 230 MW photovoltaic power station. The construction of the station is being undertaken by China State Construction Engineering Corporation (CSCEC) and Dongfang Electric Corporation International, marking one of the largest renewable energy projects in Azerbaijan. It was connected to the grid and officially began commercial operation on October 26, 2023. The design and construction were completed in just one year (Renjie Intelligent Technology · 2023).

The Gobustan 230 MW photovoltaic power station project is located approximately 60 kilometers southwest of Baku, the capital of Azerbaijan. It covers an area of 5.5 square kilometers, roughly equivalent to 770 standard football fields. It is expected to produce 500 million kilowatt-hours of electricity annually, enough to power 110,000 households, and will reduce carbon emissions by 200,000 tons each year (Ministry of Foreign Affairs the People's Republic of China, 2023).

China is aiding Azerbaijan's energy diversification efforts, aligning with global sustainability goals and contributing to the country's energy security. The Gobustan 230 MW photovoltaic power station highlights how China's expertise in renewable technology can enhance Azerbaijan's commitment to cleaner energy sources. As the first large-scale renewable energy project constructed by Chinese enterprises in Azerbaijan, it marks a significant step in the country's energy structure transformation. It serves as a prominent showcase of Azerbaijan's green development philosophy and China's construction experience, representing a noteworthy achievement in jointly implementing global development initiatives and advancing the construction of a green "Belt and Road."

Digital Transformation: Huawei's Role in Azerbaijan's ICT and Smart Infrastructure (Azernews, 2021)

Huawei, one of China's leading technology firms, has been at the forefront of digital infrastructure in Azerbaijan, playing a major role in the modernization of the country's telecommunications and ICT sectors. Through partnerships that include 5G rollout, smart city technology, and digital infrastructure in liberated territories, Huawei supports Azerbaijan's vision of digital transformation, which is essential for long-term socioeconomic growth.

Smart City Development in Karabakh

Following Azerbaijan's efforts to revitalize liberated regions such as Karabakh, Huawei has been engaged in developing "smart city" technologies in these areas. Huawei's Intelligent Operation Center (IOC) is at the heart of this initiative, offering solutions for digital city management that include monitoring transportation systems, enhancing public safety, and supporting agriculture through precision technology. Huawei's involvement in Karabakh is part of a broader commitment to helping Azerbaijan develop innovative and intelligent settlements, creating safe, connected, and efficient living conditions for returning populations (Azernews, 2021).

Smart Village in Zangilan's Aghali Village

One specific example of Huawei's contribution is in Aghali village in Zangilan, where Huawei has implemented its smart home solutions. The village's infrastructure integrates digital technology for energy efficiency, remote monitoring, and automation, significantly improving quality of life. Huawei's solutions include interconnected smart home systems, from sensors to intelligent controllers, ensuring that residents can enjoy modern conveniences while benefiting from secure, energy-efficient environments. Huawei's involvement in Aghali serves as a model for similar future projects in other liberated territories, including ongoing developments in the Fuzuli district (Azernews, 2021).

Broader Telecommunications Partnerships: FiberHome's Role in Expanding ICT Infrastructure

Beyond Huawei, China's involvement in Azerbaijan's ICT infrastructure extends to partnerships with other telecommunications leaders, like FiberHome Telecommunication Technologies Co., Ltd. In October 2023, Azerbaijan Investment Holding and FiberHome signed a Memorandum of Understanding (MoU) to further digital infrastructure collaboration. This MoU focuses on enhancing cooperation in telecommunications technologies, allowing

Azerbaijan to leverage FiberHome's expertise in smart infrastructure (The Ministry of Economy of the Republic of Azerbaijan, 2024).

The FiberHome partnership aims to boost Azerbaijan's national ICT capabilities, with a focus on expanding fiber-optic networks, increasing broadband access, and supporting Azerbaijan's ambition for smart infrastructure. By establishing a strong telecommunications foundation, this collaboration enables businesses and communities across Azerbaijan to access high-speed internet and advanced digital services. Such partnerships underscore China's role in helping Azerbaijan adapt to the digital age, supporting economic growth and ensuring competitive ICT development.

Future cooperation: Azerbaijan signs up to China's international moon base project (Jones & Jones, 2023)

The recent agreement between China and Azerbaijan to collaborate on the International Lunar Research Station (ILRS) underscores a new dimension in their partnership, extending beyond traditional infrastructure and trade to the realm of space exploration. Signed during the 74th International Astronautical Congress in Baku on October 3, 2024, the agreement positions Azerbaijan as a participant in China's ambitious ILRS project, which envisions establishing a permanent lunar base by the 2030s. This cooperative initiative signals the potential for a sustained and multi-faceted collaboration that could benefit both countries in technological innovation, space exploration, and scientific research.

This partnership, formalized by a joint statement signed by the China National Space Administration (CNSA) and Azerbaijan's Azercosmos, emphasizes cooperation in various aspects of the ILRS project, including project demonstration, implementation, operation, application, and training. Although specific details of Azerbaijan's role have not yet been outlined, this collaboration aligns Azerbaijan with other ILRS members, including Russia, South Africa, Venezuela, and other organizations worldwide. China has positioned itself as the lead partner of this lunar initiative, setting up the ILRS Coordination Organization (ILRSCO) in Hefei, Anhui province, to support and manage contributions from member nations.

China's ILRS project represents a strategic parallel to the U.S.-led Artemis Accords, which also aims to establish a lunar presence through collaboration with international partners. China's focus on fostering cooperation through ILRS could provide Azerbaijan with valuable insights and technological advancements, particularly as Azercosmos looks to expand its space activities. Despite recent challenges, such as the loss of Azerbaijan's Azersky satellite, joining the ILRS project could help Azerbaijan build capacity in space technology and exploration, facilitated by China's extensive experience in robotic lunar missions. This will help pave the way for Azerbaijan to play a more active role in future lunar missions.

As China progresses with its Chang'e lunar missions, which include sample return missions, in-situ resource utilization tests, and 3D-printing technology demonstrations, Azerbaijan could benefit from data sharing, scientific research, and potentially contribute to broader technological and economic developments within its own space sector. This partnership, situated within the context of the Belt and Road Initiative, also represents a diplomatic alignment, promoting shared scientific goals and fostering stronger ties between China and Azerbaijan in the emerging domain of space exploration.

China's role in Azerbaijan's infrastructure development reflects a well-rounded approach that spans physical, renewable, and digital infrastructure. By constructing essential industrial facilities, pioneering renewable energy projects, and modernizing telecommunications, Chinese firms support Azerbaijan's broader economic and connectivity goals. These projects have not only facilitated Azerbaijan's development but also fostered mutual economic benefits, deepening bilateral relations between the two nations. As Chinese companies continue to invest in Azerbaijani infrastructure. This collaboration will likely solidify Azerbaijan's standing as a regional hub, illustrating the transformative potential of strategic partnerships in national development.

Conclusion

The analysis of the inflow of direct investments from China to Azerbaijan shows the steady development of investment cooperation between the two countries. The Belt and Road Initiative can significantly intensify this process and open up new prospects for industrial cooperation between China and Azerbaijan. Active diversification of the Azerbaijani economy also creates new incentives for Chinese companies to participate in the industrialization of this country. FDI of Chinese companies is gradually forming a new sustainable division of labor between the BRI countries. Azerbaijan also seeks to actively participate in this process.

In addition to the traditional oil and gas industry, FDI of Chinese companies can include Azerbaijani enterprises in value chains in the manufacturing industry. Given the very important location of Azerbaijan and its strategic place in the development of the Middle Corridor, such chains will help Azerbaijani enterprises increase industrial exports and raise the technological level. Since the national strategy of Azerbaijan is aimed at accelerated technological modernization, FDI of Chinese companies such as Huawei, Lenovo, Xiaomi, BYD, CATL, Tencent, Haier can significantly accelerate this process. Most of these companies are world leaders in the development of technology and new high-tech products. This potential of Chinese companies should be used by local enterprises of Azerbaijan through subcontracting agreements, partnerships or joint ventures. Another area of participation of Chinese companies in the economic development of Azerbaijan is infrastructure projects. In addition to transport infrastructure facilities, they also cover the area of digital and telecommunications infrastructure, which will be increasingly important for accelerating the economic growth of Azerbaijan.

Active political dialogue between the two countries, especially at a high level, opens up new prospects for the above-mentioned cooperation. In 2024 the series of moves began on July 3 when Azerbaijani President Ilham Aliyev met with Chinese leader Xi Jinping on the sidelines of the Shanghai Cooperation Organization (SCO) summit in Astana and declared they had upgraded bilateral ties through a new strategic partnership that calls for them to work closer together economically, militarily, and politically (CPC Central Committee Bimonthly, 2024).

A few weeks later, Azerbaijan applied to upgrade its status within the SCO from dialogue partner to observer, setting the stage to potentially become a full member. Then on August 20, Azerbaijan announced it had applied to join the BRICS group of emerging economies led by China and Russia that also includes Brazil, India, and South Africa as founding members (Xinhua, 2024).

Economic theory substantiates that FDI of the country that invests capital can play a significant positive role in structural industry shifts, strengthening the export and innovation potential of the host country. The history and current practice of Chinese investment projects in Azerbaijan confirms these theoretical conclusions. At the same time, an important prerequisite for such a positive effect is the national policy of regulating foreign investment. The state policy of Azerbaijan is aimed not only at attracting FDI but also at reorienting them to high-tech sectors of the economy. Also on the development agenda of Azerbaijan, like other BRI countries, are issues of sustainable development. Chinese firms should take these priorities into account and contribute to their achievement. This will help mitigate the risks of their operations and achieve mutually beneficial results from their business.

Reference:

1. The Azerbaijan State News Agency. (2018, December). *CAMCE signs USD1.17bln contract with Azerbaijan*. Retrieved March 28, 2025, from https://azertag.az/en/xeber/camce_signs_usd117bln_contract_with_azerbaijan - 1221928
2. The Azerbaijan State News Agency. (2021, May). *Azerbaijan - China relations in background of Azerbaijan's oil and gas sector*. https://azertag.az/en/xeber/azerbaijan_china_relations_in_background_of_azerbaijans_oil_and_gas_sector - 1779183
3. Azerbaijan Wan Hong Ceramics Co., Ltd. - Ni Xin (Wenzhou) Enterprise Management Co., Ltd.. (2024, April). Retrieved March 28, 2025, from http://nixinguoji.com/NewsDetail.aspx?ID=223
4. Azerbaijan Wan Hong Ceramics Factory was successfully ignited! - Nixin (Wenzhou) Enterprise Management Co., Ltd.. (2023, March 27). Retrieved March 29, 2025, from http://nixinguoji.com/NewsDetail.aspx?ID=241
5. Azernews. (2021, July 23). *New path of Azerbaijan's economic development - Smart City project in Karabakh [INTERVIEW]*. Azernews.Az. Retrieved March 29, 2025, from https://www.azernews.az/analysis/181137.html
6. Azernews. (2023, January 27). *Azerbaijan plans to produce ammonium sulfate fertilizer*. Azernews.Az. Retrieved March 29, 2025, from https://www.azernews.az/business/205526.html
7. Azernews. (2024a, July 8). *AZPROMO discloses volume of China's investment in Azerbaijan*. Retrieved March 29, 2025, from https://www.azernews.az/analysis/228362.html
8. Azernews. (2024b, October 22). *Azerbaijan explores green energy cooperation with Chinese companies [PHOTOS]*. Azernews.Az. Retrieved March 29, 2025, from https://www.azernews.az/business/232862.html
9. Babayev, & Ismailzade (2020). *Azerbaijan's Contribution to the Chinese Belt & Road Initiative*.
10. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99 - 120.
11. Barney, J. B. (1995). Looking inside for competitive advantage. *Academy of Management Perspectives*, 9(4), 49 - 61.
12. Belt and Road Portal. (2017, July 3). *China, Azerbaijan to build free trade industrial Park*. Retrieved March 29, 2025, from https://eng.yidaiyilu.gov.cn/p/17999.html

13. Belt and Road Portal. (2023, February 14). *The groundbreaking ceremony of Azerbaijan's largest thermal power plant was held in Baku*. Retrieved March 29, 2025, from https://www.yidaiyilu.gov.cn/p/306826.html
14. Buckley P. (2016). The Contribution of internalization theory to international business: New Realities and unanswered questions. *Journal of World Business*, 2016, v.51.
15. Cavusgil, S. T., & Knight, G. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of international business studies*, 46, 3 - 16.
16. Central Bank of the Republic of Azerbaijan. (2025, January). *External sector statistics*. Retrieved March 28, 2025, from https://www.cbar.az/page - 43/external - sector - statistics
17. China International Contractors Association (CHINCA). (2019, May 13). *Azerbaijan and Chinese Power Engineering Company Seal $3 - Billion Tire Plant Deal*. Retrieved March 29, 2025, from https://www.chinca.org/sjtcoc/info/19051014285711
18. CNPC. (2024, December). *CNPC in Azerbaijan*. Retrieved March 28, 2025, from https://www.cnpc.com.cn/en/2020Azerbaijan/2020Azerbaijan.shtml
19. Dunning, J. H. (1981). *International production and the multinational enterprise*. London: Allen and Unwin.
20. Dunning, J. H. (2000). *Globalization and the Theory of MNE Activity*. In The globalization of multinational enterprise activity and economic development (pp. 21 - 52). London: Palgrave Macmillan UK.
21. Embassy of the People's Republic of China in the Republic of Azerbaijan. (2023, June 13). *Ambassador Guo Min in Azerbaijan inspected and investigated Wan Hong Ceramics Factory*. Retrieved March 29, 2025, from http://az.china - embassy.gov.cn/sgxw/202306/t20230614_11096264.htm
22. Guliyev Vusal Bussan. (2018). *China's Belt and Road Initiative and its Opportunities and Challenges in the South Caucasus from the Perspective of Azerbaijan*. Shanghai Foreign Chinese University.
23. Hashimova Aliya(2018). *A Study on Azerbaijan in the Silk Road Economic Belt*. Shandong University.
24. Hanya, & Jinping Chang. (2020). Analysis of the risks and countermeasures of Chinese enterprises' investment in oil and gas in Azerbaijan. *Value Engineering*, 39(5), 10 - 11.
25. Huawei (2024). *Huawei launches Xinghe Intelligent Network for the Middle East and Central Asia to accelerate Industrial Intelligence - Huawei Enterprise*. (2024, May). Huawei Enterprise. Retrieved March 28, 2025, from https://e.huawei.com/en/news/2024/solutions/enterprise - network/accelerate - industrial - intelligence
26. Johanson, J., & Vahlne, J. (1977). The internationalization process of the firm – a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32. http://dx.doi.org/10.1057/palgrave.jibs.8490676.
27. Johanson, J., & Vahlne, J. E. (1990). The mechanism of internationalisation. *International marketing review*, 7(4).

28. Jones, A., & Jones, A. (2023, October 8). *Azerbaijan signs up to China's international moon base project*. SpaceNews. https://spacenews.com/azerbaijan - signs - up - to - chinas - international - moon - base - project/
29. Kladensky, K. (2024, October 2). *The Azerbaijan - China Strategic Partnership: Opportunities and challenges for the EU. Chinaobservers*. Retrieved March 29, 2025, from https://chinaobservers.eu/the - azerbaijan - china - strategic - partnership - opportunities - and - challenges - for - the - eu/
30. Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born - global firm. *Journal of international business studies*, 35, 124 - 141.
31. Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of international business studies*, 24, 625 - 645.
32. Mammadova, A. (2023). *Foreign direct investment (FDI) in the non - oil sector in Azerbaijan, opportunities and obstacles: The case of the impact of FDIs on small and medium - sized organizations*.
33. Mammadov, Samir. (2019). *The Security Challenges of China's Silk Road Economic Belt Initiative in the Southern Caucasus Region*. Central China Normal University.
34. The Ministry of Economy of the Republic of Azerbaijan. (2024, October 16). *Memorandum of understanding signed with chinese telecommunications company.* Retrieved March 29, 2025, from https://economy.gov.az/en/post/2296/cinin - telekommunikasiya - texnologiyalari - sirketi - ile - anlasma - memorandumu - imzalanib
35. Ministry of Foreign Affairs the People's Republic of China. (2023, April 5). *Ambassador Guo Min to Azerbaijan inspected and investigated the photovoltaic project in Gobustan*. Retrieved March 29, 2025, from https://www.mfa.gov.cn/zwbd_673032/jghd_673046/202304/t20230407_11055930.shtml
36. MOFCOM China. *Statistical Bulletin of China's Outward Foreign Direct Investment 2021*, page153;
37. National Bureau of Statistics of China; State Administration of Foreign Exchange;
38. Renjie Intelligent Technology. (2023, November 10). *The Belt and Road brings good prospects. | The first intelligent cleaning project of photovoltaic power station in Azerbaijan is connected to the grid and generates electricity! - International Solar PV Network*. Retrieved March 29, 2025, from https://solar.in - en.com/html/solar - 2430602.shtml
39. Rogach O. (2020) *Network Production of Multinational Firms: Dynamics and Structural Changes/ Internationalization of the World Economy: Current Trends*/Monograph. Edited by E. Siskos and O. Rogach. Kastoria : Evkonomia, 2020, P.11 - 39.
40. Rugman, A. M. (2010). Reconciling internalization theory and the eclectic paradigm. *Multinational Business Review*, 18(2), 1–12.
41. Samir Mammadov. (2019). *The Security Challenges of China's Silk Road Economic Belt Initiative in the Southern Caucasus Region*. Central China Normal University.
42. Shamil Abbasov. (2022). *Study of Factors Influencing Foreign Direct Investment in Azerbaijan*. Zhengzhou University.

43. Wang, X. (2018, September 13). *Azerbaijan - China Free Trade Industrial Town Project is officially signed*. Retrieved March 29, 2025, from http://chuangxin.chinadaily.com.cn/2018 - 09/13/content_36909110.htm

44. World Economic Outlook, October 2024: *Policy pivot, rising threats*. (2024, October 22). IMF. https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world - economic - outlook - october - 2024

45. Xiangyu Niu. (2022). *Research on China - Azerbaijan Energy Cooperation after the Cold War*. Shanghai Normal University.

46. Xinhua. (2024, August 21). *Xinhua News | Azerbaijan applies for BRICS membership*. Retrieved April 2, 2025, from https://english.news.cn/20240821/6e36baf47e30489d905e28e9ee7bf3f7/c.html

47. Yi Qing. (2022). *Analysis on the current situation and prospects of economic and trade cooperation between Azerbaijan and China under the Belt and Road Initiative*. Capital University of Economics and Business.

48. Yanyun Zhang, Meng Liang, Li Sun, & Yingying Peng. (2019). Analysis of the prospect of oil and gas cooperation between China and Azerbaijan. *International Petroleum Economics*, 27(8), 99 - 106.

49. Zhang, Jin, Xuefeng Hao, & Jianliang Zhao. (2023). Analysis of Azerbaijan Geology, Mineral and Mining Investment Prospects. *Mineral Exploration*, 14(10), 1904–1913. https://doi.org/10.20008/j.kckc.202310017

50. Zhao, M., Liu, R., & Dai, D. (2021). Synergistic Effect between China's Digital Transformation and Economic Development: A Study Based on Sustainable Development. *Sustainability*, 13(24), 13773. https://doi.org/10.3390/su132413773