

RUSSIA AND AZERBAIJAN: THE OUTLOOK FOR COOPERATION AND INTERACTION

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Russia and Azerbaijan are two independent, sovereign states. In order to understand the essence of Russian-Azerbaijani relations and try to advance the creation of the relationship model that meets the interests of our nations to the maximum extent, we should not restrict ourselves to a formal international legal approach. Russia is interested in strengthening Azerbaijan's international legal status, and apparently Azerbaijan from the standpoint of its rationally understandable regional interests is interested in the development of an effective state system and a stable economy within Russia. Evidence for this is found in the solid legal-normative bases determining the forms and principles of relations between the countries. From the establishment of diplomatic relations on April 4, 1992 up until now several intergovernmental documents regulating the political, economic and humanitarian spheres of bilateral relations have been signed. One such document is the Treaty of Friendship, Cooperation and Mutual Security signed between the Russian Federation and the Republic of Azerbaijan (in force since July 29, 1998) which is particularly important for all aspects of bilateral interaction.

The agreements that determine the conditions and forms of interrelations in the economic sphere occupy a special place. The fundamental document is the Treaty between the Russian Federation and the Republic of Azerbaijan on Long-Term Economic Cooperation for the period up to 2010, signed in Moscow on January 25, 2002. According to this document, its purpose is to make substantial progress in commercial-economic relations, increase the commodity turnover between countries and establish and deepen the interrelations among the economic organization of parties.

The Intergovernmental Commission on Economic Cooperation between the Russian Federation and the Republic of Azerbaijan, the working body of Russian- Azerbaijani economic relations at the government level, reviews the progress of implementation of the provisions of this Treaty at its sessions. At the session of the commission in February of 2005, they developed specific measures in order to double the commodity turnover between Azerbaijan and Russia up to \$1 billion (US) by 2007. This task was performed ahead of time. In 1997-2000, the commodity turnover between the two countries amounted to \$300-500 million (in 1998 it dropped by 10%) but in 2004, commodity turnover amounted to \$760.5 million, in 2005 to \$1 billion and in 2006 to \$1.6 billion. Thus, the commodity turnover between Azerbaijan and the Russian Federation in 2006 increased by 53.5% compared to 2005. Accordingly, exports in 2006 increased by 60.2% compared to 2005.

The share of Azerbaijani-Russian commodity turnover in the total commodity turnover of Azerbaijan amounted to more than 13% in 2007. The current trend in the commercial-economic relations between the two countries is an increase in the export of Russian goods with a higher added value – for example, mechanical engineering products (in January-November of 2007 the share of these products amounted to 35.4% of total exports and increased to \$10 million compared to 2006).

We also should note that Russia holds the first place among countries supplying commodities to Azerbaijan (18% of all imports of the republic). At the same time, the delivery of Azerbaijani goods to Russia in 2007 significantly increased compared to 2006 – by 53.1% and amounted to \$52.1 million, which is equal to 8.7% of total Azerbaijani exports. Foodstuffs prevail in exported goods (80% of the total value of the goods delivered from Azerbaijan to Russia). In this connection, we should note that the Russian market accounts for 76% of all the foodstuffs and agricultural products exported from Azerbaijan.

The following documents regulate the economic interrelations between Azerbaijan and the Russian Federation along with the Treaty on Long-Term Economic Cooperation before 2010: Free Trade Agreement dated September 30, 1992 and April 15, 1994; the Protocols on Withdrawal from the Free Trade Regime dated October 22, 1992, November 26, 1991, November 29, 2000 and February 6, 2004; and also the Agreement on Principles of Indirect Taxation dated November 29, 2000.

In Moscow, the declaration between the Russian Federation and the Republic of Azerbaijan adopted on February 6, 2004, set forth their commitment to principles and norms of international law, joint counteractions against new global challenges and threats, illegal drug trafficking, international terrorism and trans-national organized crime. They especially emphasized the aspiration for the development of intergovernmental economic ties. The parties particularly stated that they would encourage the enterprising activity of the Intergovernmental Commission on Economic Cooperation as a "...permanent working body playing an important role in complex and competent elaboration of the issues of development of bilateral economic interrelations." The parties also committed to actions in order to establish the Russian-Azerbaijani business forum and stated their interest in the

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development of economic relations among constituent territorial units of the Russian Federation and the regions of Azerbaijan.

Moreover, in the Moscow Declaration the Russian Federation declared that it would give every support to Azerbaijan in its accession to the "North-South" Transport Corridor Treaty – the most important transport project in Eurasia. In this regard, in March 2008 the parties signed a memorandum on the conditions of the establishment of a consortium on the construction of the Gazvin-Rashd-Astara railway. It will allow the full-fledged commissioning of the railway portion of the "North-South" transport corridor that crosses Azerbaijan's territory. There were more infrastructure projects discussed in Russia, which could create new opportunities for Azerbaijan. There's a clear understanding of the need for the construction of either a new navigable Volga-Don channel (to the south of the Zimlanskiy water reservoir) or Eurasian channel, which will also connect by additional passage the Caspian Sea with the Black Sea following a southern route – via the Kuma, Vostochniy Manich and Zapadny Manich rivers and further to either Azov or directly to the Black Sea.

During the 1990s, the economic cooperation between Azerbaijan and the Russian Federation developed slowly. The turning point was the year 2000. In 1999, the growth of commodity turnover amounted to 3.1% and in 2000 it was 12.5%.

The power industry has a high importance in the export-import constituent of Russian – Azerbaijani relations. Thus, in 2006 the power supply from Russia to Azerbaijan (RAO EES Russia and JSC Azerenerji) amounted to 755.3 million kWh and meanwhile from Azerbaijan to Russia the export of power amounted to 317.1 million kWh. During 2007 the Russian company, INTER RAO, imported 321 million kWh of electric energy from Azerbaijan.

Russian capital has serious intentions regarding the Azerbaijani market. However, the lack of a basic agreement affects the level of investments made by Russian companies in the Azerbaijani economy, despite the fact that there are 300 enterprises with Russian capital functioning in the republic, out of which 160 are functioning with one hundred percent Russian capital. There is an expected growth of their number up to 400 enterprises in 2008.

Along with intergovernmental economic contacts, Azerbaijan maintains close economic ties with several regions of the Russian Federation. Moscow, St. Petersburg, the Dagestan Republic, Tatarstan, Sverdlov, Saratov and Astrakhan districts have become reliable partners with Azerbaijan. In 2008, the Republic of Kalmykia might also strengthen its position on the list of constituent territorial units of the Russian Federation that are partners with Azerbaijan.

Russia is interested that Azerbaijan does not experience a decrease in the total land area of cotton production and that the mass import of foodstuffs would not destroy the production bases of the Azerbaijani agricultural economy.

Interest in Azerbaijan in Russia rests on the economic, social and humanitarian transformation of Russia itself. Russia is changing. Those who claim that the Russian economy grows but does not develop are mistaken. Nevertheless, it is not developing in the way and with the tempo as those Russians who care for their country would like to. However, it is silly and unprofessional to deny that qualitative changes are indeed taking place.

Russian corporate management is changing also. The new generation has come and gained a foothold on middle and some larger corporations. Young graduates from English and American universities are returning to work in their homeland because there are more opportunities, and it is easier to make big money in Russia. Russians already have extensive experience working with and in western corporations. The experience working in successfully developing corporations is especially valuable. According to the data of the Foreign Investments Advisory Council (FIAC), 86% of all foreign companies operating in Russia achieve a 10% increase of their annual revenue, 69% of companies' saw revenue growth of more than 20% and 40% of foreign companies had a revenue increase of more than 30%.² The Economist Intelligence Unit, the London research centre, cites the rapid growth of turnover of some leading IT companies such as Oracle, Microsoft and IBM. Simultaneously, Russians employed in western companies start longing for higher salaries. At the same time a psychology of making money in Russia, sending capital to offshore territories and acquiring property in the West remain problems.

The Russian nation itself is changing and hundreds of thousands of Azerbaijanis who live and work in Russia along with other CIS nationals are taking part in this change. In 1998, 115,940 citizens of the CIS obtained work permits in Russia. In 1999, their number amounted to 99,116 and in the year 2000 to 96,000.³ After the collapse of the USSR 15-17 million illegal migrants moved to the territory of Russia.⁴ According to the evaluation of the specialists of the World Bank, inflow of illegal migrants to Russia amounts to 3-3.5 million people per year (legally – 300,000 people); 2 million of which originated from Central Asia: 600,000 – from Tajikistan (10% of the country's population), 500,000 – from Kyrgyzstan and 600,000-700,000 – from Uzbekistan. According to the information provided by the embassy of Azerbaijan in Russia, the number of illegal guest workers sharply increases in summer months and reaches 2 million people. At the end of the season, many of them return home and the number of these people originating from Azerbaijan declines to 600,000-800,000 people, half of which are Russian

² Daniel Torneley, *The main secret of the world*, Expert № 20, May 19-25, 2008, p. 88.

³ *Tendencies of migration in the countries of Eastern Europe and Central Asia, 2001-2002 Review*, MOM, 2002. pp. 130, 133.

⁴ *The Russian Federation Today*, 21.2003.

citizens.⁵

In 2004, 145,400 foreign workers were officially employed in the Moscow city economy. Thus, as per the official statistics the share of migrants in the total volume of the employed in the city's economy was less than 2%. However, the real role of migrants in the economy of the city is much higher – 20%. According to existing information, there are 10-15 “illegal” migrants per every “legal” one. In 2004, as per official data, 591,000 CIS citizens “sojourned” in Moscow.

In the first half of the 1990s, the main exporters of labouring migrants to Russia were three South Caucasian countries - Azerbaijan, Armenia and Georgia. The increase of labouring migrants from the Central-Asian region is peculiar for the years from 2000 onwards. From the mid-nineties up to now there have been a large share of Ukrainians and Moldavians in immigration flow to Russia.

According to the official information of Azerbaijan, the number of citizens of this country that sojourned in Russia for income in 1998 amounted to 800,000 people. Meanwhile, according to the unofficial data presented by independent Azerbaijani demographers in years 1991-1997, 1.5 million labouring migrants left the republic for Russia. There were about 2 million Azerbaijanis residing in Russia, which amounted to almost 25% of the total population of Azerbaijan. Following the data of the Ministry of Internal Affairs of Russia, 150,000-200,000 Azerbaijanis – citizens of Russia, resided in Moscow in 1998 (according to the national census of 1989 there were 30,000 people, which is 5 times less). If migrants are included, there were approximately 500,000. In accordance with the same source, prior to the August crisis of 1998 up to 1 million Azerbaijanis used to work in Moscow⁶. The data of one of the leaders of the Azerbaijani Diaspora suggests that 400,000 out of 1 million Azerbaijanis living in Moscow are Russian citizens; and 600,000-700,000 have no Russian citizenship. In all of Russia there are up to 2 million Azerbaijanis⁷. In St Petersburg, there are 200,000 Azerbaijanis. In Tyumen district there are 23,000 officially registered Azerbaijanis, however, according to the estimate of the Diaspora there are around 100,000 Azerbaijanis in Tyumen district. There are around 20,000 of them in Omsk district and more than 50,000 in Tomsk. In south- Siberian cities, the number of Azerbaijanis approaches 150,000 people. In the Far East, the highest number of Azerbaijanis is in Primorye. In Vladivostok there are more than 70,000 Azerbaijani residents as well⁸. The census of 2002 listed only some portion of the Azerbaijani residents of Russia – 621,500 people.

According to some academic studies 44% of Azerbaijanis, 55.8% of Armenians and 31.6% of Georgians apply for citizenship of the relevant country when they want to be employed. In addition, 48%, 34.4% and 57.9% respectively of migrants from the South Caucasian countries apply to an employer who is a Russian citizen. However, the distribution of migrants on the basis of the nationality of their employer is yet more impressive. Most Azerbaijanis, 57.7%, are employed by an Azerbaijani employer, 66.7% of Armenians by an Armenian employer and 41.2% of Georgians by a Georgian employer. More than half of migrants (59.5% of Azerbaijanis, 51.6% of Armenians and 54.5% of Georgians) from South Caucasian states have received help from fellow-countrymen in becoming employed in Russia.⁹

Studies regarding the people who originated from the South Caucasian states have demonstrated that the most open group according to the level of communication is the migrants from Azerbaijan. Among Azerbaijani migrants only 14.9% communicate with local residents; 34.0% communicate mostly with compatriots and 46.8% equally with fellow citizens and local residents. With Armenian migrants, these indicators emerged as 7.5%, 48.1% and 37.7% respectively; with Georgian migrants – 10.8%, 37.8% and 43.2% respectively.¹⁰

At the same time in accordance with the opinion of Azerbaijani experts, their fellow citizens would never depart to Russia if there were not any relatives or compatriots in Russia and without the initial agreement or help of compatriots. Azerbaijanis try to settle according to their place of origin. Thus, natives of the cities of Gazakh and Akstafa settle in the cities of Kogalym, Surgut and Tyumen; the residents of Baku and the Apsheron Peninsula initially preferred the capital of Russia to other places, however, after the decline of the flower business the Far East–Vladivostok, Khabarovsk and Sakhalin Island – started to become popular. The residents of subtropical regions of Azerbaijan (Lenkoran, Masalli) settle in Murmansk, Arkhangelsk and other settlements of Zapolarye (trans-polar region). The natives of Karabakh not so long ago resided mostly in Samara and Nijniy Novgorod; Shamkir and Ganja residents chose Moscow, the vicinities of Moscow and St Petersburg. The refugees from Aghdam and Fizuli and also the residents of Nakhichevan are actively settling in Moscow¹¹.

The interaction of two ethnic communities undoubtedly affects intergovernmental relations. Russia and Azerbaijan cannot build their relations in the same way as the US and Azerbaijan or Japan and Azerbaijan. In both cases, there is a different type of human inter-relationship, which requires a different type of intergovernmental relation. Eventually, we have to acknowledge that Azerbaijanis residing in Russia must become an organic part of

⁵ A.S. Yunusov, *Labouring migration from Azerbaijan; Labouring migration in CIS: social and economic effects*, Moscow, 2003, p.125.

⁶ A.S.Yunusov, *Index of writings*, p.126.

⁷ *Nezavisimaya Gazeta*, 15 November 2005.

⁸ A.S.Yunusov, *Index of writings*, p.126.

⁹ D. Poletayev, *The aspects of sojourn of illegal migrants from Caucasus in the regions of Russia / Caucasus – Russia: legal and illegal migration*, Yerevan: Caucasian Institute of Mass Media, 2004, p. 92.

¹⁰ *Ibid.*, p. 97.

¹¹ A.S.Yunusov, *Index of writings*, pp.126-127.

civil society, which is the common property of all the people of the country and the gigantic Eurasian region in general.