



DEVELOPMENT OF TRADE AND ECONOMIC COOPERATION BETWEEN UZBEKISTAN AND AZERBAIJAN

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Article history:		Abstract:
Received:	14 th July 2025	This article analyzes the development of trade and economic cooperation between Uzbekistan and Azerbaijan within the framework of the Economic Cooperation Organization (ECO). It examines the dynamics of mutual trade from 2016 to 2024, the structure of exports and imports, as well as the growth of mutual investments and joint projects. Special attention is given to transport, logistics, and energy initiatives, along with prospects for cooperation in tourism. The author emphasizes the strategic nature of the partnership and forecasts that trade turnover will reach \$1 billion in the medium term.
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INTRODUCTION. Uzbekistan and Azerbaijan have significantly intensified bilateral trade and economic ties in recent years, building on their historically friendly relations and cooperation within the Economic Cooperation Organization (ECO). Emphasizing this, President of the Republic of Uzbekistan Shavkat Mirziyoyev noted: "Bilateral relations between Uzbekistan and Azerbaijan have great potential, as their development in the political, economic, and humanitarian spheres meets the fundamental interests of our countries and peoples."^[1]

Since 2016, bilateral trade has demonstrated steady growth. Between 2016 and 2023, trade volume increased 11-fold, from \$21.5 million to \$236.2 million. The increase was particularly noticeable between 2018 and 2023: while in 2018, trade increased by 50% compared to the previous year, in 2023, it had already reached a quarter of a billion dollars. By the end of 2024, mutual trade exceeded \$253 million. This positive trend is the result of the policies of the two countries' leaders, who have in recent years elevated their cooperation to a strategic level.^[2]

OBJECTIVES AND TASKS: The primary goal of this article is to provide a comprehensive analysis of the current state and prospects of trade and economic cooperation between Uzbekistan and Azerbaijan within the Economic Cooperation Organization (ECO). Using statistical data and tables, this article will demonstrate trends in the development of mutual trade turnover, as well as how historically friendly relations have transformed into a strategic partnership encompassing trade, investment, industrial cooperation, and joint infrastructure projects. The objectives of the study may include: identifying the dynamics of mutual trade turnover and its structure; determining factors stimulating export and import growth; analyzing joint investment initiatives and industrial clusters; assessing the role of the ECO in deepening integration; and examining new areas of interaction – transport, energy, tourism, and digitalization of trade. The article also aims to identify key challenges and offer forecasts for the further development of cooperation.

MATERIALS AND METHODS: This article uses official statistical data on mutual trade and investment between Uzbekistan and Azerbaijan for 2016–2024, documents and agreements signed at the interstate level, as well as analytical reports, media publications, and expert assessments. Particular attention is given to data from the Intergovernmental Commission, information from the ECO, and materials from business forums.

The research's methodological framework includes a comparative and statistical analysis of trade turnover dynamics, a structural analysis of exports and imports, and a systems approach to studying investment and industrial cooperation. The study utilized theoretical and methodological approaches, systematization principles, comparative analysis, identification of economic process trends based on a systems analysis of statistical data, and monographic research methods. Content analysis of official sources, synthesis, and forecasting were used to identify trends and prospects.

DISCUSSION

In recent years, Uzbekistan and Azerbaijan have significantly strengthened their trade and economic ties, building on historical closeness and a mutual desire to expand cooperation. This progress is closely linked to both countries' active participation in the ECO, which creates favorable conditions for trade, investment, and infrastructure. As a result, bilateral relations are evolving strategically, extending beyond trade to include joint initiatives in transport, energy, and tourism.



In June 2022, Presidents Shavkat Mirziyoyev and Ilham Aliyev signed a Declaration on Allied Relations and established the Supreme Interstate Council, laying the institutional foundation for expanding cooperation. A free trade regime is in effect—mutual trade is exempt from customs duties, in accordance with an intergovernmental agreement signed in 1996. The countries also signed agreements on mutual investment protection and the avoidance of double taxation, strengthening the legal framework for cooperation. Regular meetings of the joint Intergovernmental Commission are held, coordinating the implementation of agreements and the launch of new projects. These steps have allowed trade turnover to reach a historic high.

A significant surge in imports in 2023 was driven by a one-time purchase of aircraft worth \$44.9 million, demonstrating the impact of specific transactions on overall figures. In 2024, although the rate of bilateral trade growth slowed, by the end of the year, mutual trade exceeded \$253 million, which is more than double the 2021 level (almost \$119 million). Reinforcing this momentum, at the 13th intergovernmental commission meeting in July 2024, both parties reiterated their commitment to increasing trade turnover to \$1 billion in the medium term.^[3]

The trade growth dynamics between Uzbekistan and Azerbaijan from 2016 to 2023 show a notable increase in the volume of mutual trade: from \$21.5 million in 2016 to \$236.2 million in 2023. In 2023 alone, Uzbekistan exported goods worth \$133.4 million to Azerbaijan, while imports totaled \$102.8 million. This rapid growth reflects the strengthening of political ties and increased business activity discussed earlier.

Uzbek exports traditionally dominate mutual trade – Uzbekistan maintains a positive balance, increasing it from \$11.1 million in 2016 to \$30.6 million in 2023. Azerbaijan's share of Uzbekistan's foreign trade increased from 0.1% to 0.4%, which is still small, indicating significant untapped potential. Experts estimate that despite an eightfold increase over the past eight years, the potential for cooperation is far from exhausted.

Main export and import commodities. Mutual trade is complementary: the countries exchange both industrial and agricultural products, as well as services. Below are the key exports from Uzbekistan to Azerbaijan and the main items from Azerbaijan to Uzbekistan (data for 2023):

Uzbekistan's exports to Azerbaijan: Textile products account for 23% of total exports. Uzbek cotton and textiles are in demand on the Azerbaijani market. Machinery and transport equipment account for 20%. This includes Uzbek-made cars and special equipment. Non-ferrous metal products account for 14%. Metallurgical products (e.g., copper, zinc, alloy metals) are exported. Food products account for 12%. Canned fruits and vegetables, dried fruits, and vegetables, etc., are supplied. Electrical goods and household appliances account for 11%. Uzbekistan exports cables and wires, household appliances, and electronics to Azerbaijan. Other finished goods account for 5%; chemical products account for 2.5%; services account for 6.4% (including transport and logistics services).^[4]

Uzbekistan's imports from Azerbaijan: Machinery and transport equipment account for 48% of total imports. This category is unusually high due to a one-time shipment of aerospace equipment worth \$44.9 million in 2023. Copper ores and concentrates account for 13%. Azerbaijan supplies Uzbekistan with non-ferrous metallurgical raw materials for processing. Aluminum accounts for 11%. Azerbaijan exports aluminum and aluminum products to Uzbek enterprises. Food products account for 7%. These primarily include nuts, oil, alcoholic and non-alcoholic beverages, and fruits. Chemicals account for 4%. Supplies of Azerbaijani chemical products (fertilizers, plastics, etc.) also account for 4%. Oil products account for 3%. Uzbekistan imports petroleum oils, bitumen, and other products from Azerbaijan. Services (transport, tourism) and other goods account for approximately 9.7%.

Thus, Uzbekistan primarily exports industrial and agricultural products to Azerbaijan, while Azerbaijan exports raw materials and equipment. This structure reflects the differences in their economies: the Uzbek economy is rich in industrial goods and food, while the Azerbaijani economy is rich in natural resources and capital goods. It is worth noting that the governments of the two countries intend to diversify their mutual trade. The emphasis is on replacing imports from third countries with products from Uzbekistan and Azerbaijan, which were previously purchased from other partners. For example, Azerbaijan could increase its purchases of Uzbek automobiles, agricultural machinery, and textiles instead of products from other countries, while Uzbekistan could increase its use of Azerbaijani petroleum products and metals as an alternative to other suppliers. This will allow for increased trade, drawing on the internal reserves of the two economies.

Mutual investments and industrial cooperation. Investment cooperation between Uzbekistan and Azerbaijan is also gaining momentum, although it is still smaller in scale than trade. Azerbaijani companies are actively operating in Uzbekistan: as of August 1, 2024, there were 239 enterprises with Azerbaijani capital, compared to only 71 in 2017 (a 3.4-fold increase). These enterprises operate in a variety of sectors, including mechanical engineering and metalworking, light industry, food production, housing construction, services, and more.

The volume of Azerbaijani investment in Uzbekistan is steadily growing. Total accumulated investment from Azerbaijan as of the beginning of 2024 amounted to \$84.8 million. Moreover, in 2023 alone, the inflow of Azerbaijani investment reached \$21.3 million (compared to \$12.7 million in 2022). ^[5]Funds are being invested in joint ventures, construction,



and trade. For example, projects have been implemented in the construction materials sector (an Azerbaijani company is investing in a cement plant in Karakalpakstan), and trade and logistics centers have been opened to promote Uzbek goods in Azerbaijan and vice versa.

Uzbekistan, in turn, is also beginning to invest in the Azerbaijani economy. By 2024, approximately 70 enterprises with Uzbek capital are registered in Azerbaijan. Uzbek companies are showing interest in agriculture, textiles, and the services sector. Although the volume of Uzbek investment is still small, the creation of joint ventures allows for the production of competitive products with potential for export to third countries. Both countries agree that increasing the share of joint production is mutually beneficial and support business initiatives to establish new joint ventures.

Joint projects and initiatives within the ECO framework. Membership in the Economic Cooperation Organization provides Uzbekistan and Azerbaijan with a broad platform for multilateral projects and initiatives. The ECO, whose members include 10 Eurasian countries (including Uzbekistan and Azerbaijan), aims to deepen regional integration in trade, transport, energy, agriculture, tourism, and other areas. Within the ECO, both countries are actively promoting projects that enhance the interconnectedness of their economies.

New cooperation formats are also being implemented in the tourism sector with ECO support. For example, in May 2024, the First ECO Tour Operators Forum was held in Baku, with the participation of a delegation from Uzbekistan. Around 50 travel companies from all member states discussed joint route promotion and facilitating travel between the countries. This resulted in the signing of agreements on joint tourist routes, such as "Samarkand-Baku" package tours and the exchange of quotas for spa treatment for citizens of the two countries. Tourism is recognized as a promising area of cooperation, where Uzbekistan and Azerbaijan can mutually increase tourist flow and develop infrastructure (direct flights between Tashkent and Baku, unified electronic visas similar to the Schengen visa, etc.).

Moreover, within the ECO, countries are coordinating efforts in agriculture and the environment. Uzbekistan and Azerbaijan are jointly promoting a green economy: in 2023, oil and gas companies from both countries, along with partners from Russia and Kazakhstan, signed a decarbonization cooperation agreement aimed at reducing emissions from oil and gas production. Such multilateral energy projects are consistent with the ECO's sustainable development goals.

RESULTS

An analysis of current trends shows that economic cooperation between Uzbekistan and Azerbaijan has enormous potential for further growth, especially when supported by ECO mechanisms. Experts note that the combined consumer market of ECO countries exceeds half a billion people, opening up significant opportunities for the expansion of goods and services. Uzbekistan and Azerbaijan aim to exploit this potential. Long-term plans include increasing bilateral trade four- to five-fold to \$1 billion in the coming years. To achieve this ambitious goal, the parties have already begun implementing concrete steps:

Expanding the range of trade. The exchange of high-value-added industrial products will grow. In particular, Uzbekistan plans to increase exports of automobiles, agricultural machinery, electronics, and chemical products, which currently account for a modest share of Azerbaijani imports. Azerbaijan, for its part, is interested in increasing oil and gas supplies (for example, through swap arrangements involving transit through the Caspian Sea) and construction materials, as well as promoting transportation and tourism services. Substituting imports from third countries with mutual supplies is seen as a key growth driver.

Coordination in multilateral forums. Uzbekistan and Azerbaijan will continue to work together within the ECO, the Organization of Turkic States, and other regional associations, lobbying for common initiatives. The presence of Turkey and Pakistan, important trading partners, in the ECO provides additional benefits: through Azerbaijan, Uzbek goods gain access to markets in Turkey and beyond Europe, while through Uzbekistan, Azerbaijani products can more easily reach Central Asian countries and China. Experts describe the ECO as an effective platform where the synergy between the capabilities of Turkey, Azerbaijan, and Central Asian countries significantly expands regional transport and infrastructure projects. Recent ECO summits have reaffirmed the commitment of all participants to eliminating barriers to trade and investment.

CONCLUSION

In conclusion, it can be concluded that the aforementioned forecasts for Uzbek-Azerbaijani economic cooperation are quite favorable. Bilateral trade turnover is expected to surpass \$300 million in the next two to three years and move toward \$500 million, building on new projects. By mid-decade (2025–2026), a qualitative leap is possible thanks to the commissioning of key projects—for example, the full-scale launch of a joint automobile plant, a new railway route across the Caspian Sea, and other initiatives. If current plans are realized, the goal of \$1 billion in trade turnover by the end of the decade will become an achievable reality.

Naturally, achieving these goals will require continued reforms and efforts. The parties will continue to remove trade barriers, unify standards, and facilitate logistics. Macroeconomic stability and high-level political support will play a crucial role. Strengthening ties between Tashkent and Baku not only brings mutual benefit but also facilitates the



integration of the entire ECO region for the sake of shared development. Thus, Uzbekistan and Azerbaijan, supported by ECO, look to the future with optimism, hoping to realize the vast untapped potential of partnership – for the sake of increasing the prosperity of their peoples and the sustainable progress of the entire region.

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