

**Potential Economic Relations Between Azerbaijan and Armenia:  
An Assessment of Comparative Advantages**

**CESD Research Group**

**CESD Press**

**Center for Economic and Social Development (CESD)**

**Jafar Jabbarli 44, Baku, Az 1065, Azerbaijan**

**Phone; (99412) 597-06-91 Email; [info@cesd.az](mailto:info@cesd.az)**

**URL; [www.cesd.az](http://www.cesd.az)**

**Baku, June, 2025**

## **Abstract**

The paper examines the possible foreign trade cooperation between Azerbaijan and Armenia. In particular, export trade, its commodity structure, and degree of complexity are analyzed by commodity groups. The article examines the economic relations between Azerbaijan and Armenia, or rather, specifically what goods Azerbaijan can export to Armenia. As the conclusion, it is justified which commodity groups may be of interest to the Armenian business environment. The purpose of the article is to analyze the initial conditions, factors and reasons for economic cooperation between Azerbaijan and Armenia. The article also analyzes the prospects for economic cooperation between Azerbaijan and Armenia.

The implementation of any initiatives towards the establishment of economic relations between Azerbaijan and Armenia will make a certain contribution to the economy of the two neighboring states in the future. Finally, it is believed that any relations between the two countries can be established after a peace treaty on mutual recognition of the sovereignty, statehood and territorial integrity of Azerbaijan and Armenia.

**Keywords:** Azerbaijan, Armenia, comparative advantages, foreign trade, import, export

## Table of Contents

Introduction .....	4
Azerbaijan's non-oil and gas exports in 2023.....	5
Foreign trade of the Republic of Armenia in 2023 .....	10
Comparative advantage in Azerbaijan-Armenia economic relations.....	14
Conclusion and Recommendations .....	23
References.....	24

## Introduction

The models of the countries of the region, despite their geographical proximity and common historical past, currently have more differences than similarities, mainly due to the difference in strategic interests that conditioned political and ethnic conflict and the politicization of foreign economic relations. The countries were economically further apart from each other than during the Soviet Union. During the Soviet Union, the high degree of integration of the South Caucasus economies into the single all-Union economy, the predominance of relations with Russia and the all-Soviet market further exacerbated their crisis after the collapse of the USSR. However, the sectoral structure of the economy, the relatively high level of training of the workforce, and the developed service sector, which developed during the Soviet Union, had a favorable effect on the formation of new, market-based models of economic development. The countries of the South Caucasus were able to overcome the recession associated with the collapse of the USSR, and in 2001-2010 their economic growth rates were quite high: 6.3% in Georgia, 8.1% in Armenia, and 14.4% in Azerbaijan. Recently, the development of economic relations of Azerbaijan with foreign countries and the formation of highly effective civilized market relations have become of great importance, especially in the context of globalization. Despite the existence of collective farms during the Soviet Union, the traditions of individual farming, preserved in the region, ensured the rapid implementation of work on the creation of farmer-type farms. This process resulted in the rapid privatization of large economic associations and collective farms in Armenia. The same process took place in Azerbaijan, where tea plantations occupy an important place in the agricultural structure.

Geoeconomic factors almost always occupy one of the most important places in the system of relations between states. In recent decades, due to the growth of the global economy, the achievements of scientific and technological progress and the emergence of transnational corporations, economics has begun to have an even greater impact on the behavior of states in the international arena.

However, economics is primarily a rational concept, based on market laws, but politics, even if pragmatic, can be irrational, because it often provides for drawing logical conclusions based on non-existent categories. After the end of the Nagorno-Karabakh conflict, a system of geoeconomic relations began to take shape in the South Caucasus region, in which the main actors of almost all modern world politics - the USA, Russia, the European Union, and regional players - Turkey and Iran - participated. The situation in the South Caucasus region is a symbiosis of global and regional politics in one of the main regions of the modern world. First of all, the geographical location of the South Caucasus states allows them to expand their transport capabilities and change the world logistics map. Two countries of the region: Azerbaijan and Georgia are one of the main players in global energy and transport and communication projects. Despite its difficult geographical position today, Armenia can become one of strategic centers for the West in the future to ensure the transportation of energy resources bypassing Russia through Zangezur Corridor. In this case, the interests of Russia, Armenia, and Iran on the one hand, and the United States and a group of European Union countries on the other, and Azerbaijan, Georgia, and Türkiye on the other, clash in the region.

This study focuses only on the comparison of export and import prices in order to investigate the establishment of trade relations in the short term. Later, in the long term, attention will be paid to the production price for a more detailed comparison and investigation.

## Azerbaijan's non-oil and gas exports in 2023

During January-December 2023, Azerbaijan's total exports amounted to 33.9 billion USD, while exports in the non-oil/gas sector increased by 9.8% compared to the corresponding period in 2022 and amounted to USD 3.3 billion. During the same period in 2023, exports of food products amounted to USD 928.2 million. During the 12 months of 2023, exports of electricity increased by 3.3 times, exports of alcoholic and non-alcoholic beverages by 1.9 times, exports of plastics and products made from them by 19.3%, exports of ferrous metals by 13.3%, and exports of fruits and vegetables by 8.7%. During the same period, the statistical value of combined exports of agricultural and agro-industrial products increased by 6.2% and amounted to USD 969.2 million. The value created by agro-industrial products, which occupy a significant place in non-oil/gas exports, increased by 3.2% compared to the same period last year and amounted to USD 201 million.

In the list of non-oil/gas sector goods exported during January-December 2023, electricity (USD 402.5 million) was the first. Gold (USD 162.8 million) was the second, and tomatoes (USD 162 million) were the third. Non-oil/gas sector goods worth USD 1.1 billion were exported to the Russian Federation, USD 783.9 million to Turkey, USD 332.5 million to Georgia, USD 175.3 million to the Swiss Confederation, and USD 95 million to Kazakhstan. Non-oil/gas exports in December of last year increased by 3.8% to USD 314.3 million. Food exports increased by 0.9% to USD 106.6 million, while non-food exports increased by 5.4% to USD 207.7 million. In December 2023, the Russian Federation (USD 110.3 million) ranked first in the list of countries exporting the most goods related to the non-oil/gas sector. Turkey (USD 55.1 million) was second in this list, and Georgia (USD 32.6 million) was third. In the list of goods related to the non-oil/gas sector exported in December 2023, dates (USD 35.8 million) were first, electricity (USD 23.2 million) was second, and tomatoes (tomatoes) (USD 21.3 million) were third. During January-December 2023, non-oil exports amounted to USD 3.3 billion, an increase of 9.8% compared to the same period in 2022 (USD 3 billion). An increase was also observed in the export of agricultural and agro-industrial products in January-December 2023. Thus, the export of agricultural products increased by 7.1% compared to 2022, reaching USD 768.2 million in absolute terms, while the export of agro-industrial products increased by 3.2% compared to 2022, reaching USD 201.0 million.

**Table 1. Export and import of the Republic of Azerbaijan with foreign countries in 2023 by commodity groups (in thousand USD)**

XIF Acc ordi ng to the Mini stry of Defe	Group of the goods	Export		Import	
		net (ton)	Statistical value	net (ton)	Statistical value
	<b>Total</b>	<b>51 283</b> <b>065,70</b>	<b>33 898</b> <b>419,80</b>	<b>12 176</b> <b>172,70</b>	<b>17285</b> <b>448,40</b>

nse code					
1	Live animals	886,5	682,4	38 186,00	115 769,80
2	Useful meat and meat additives for cooking	1 071,60	1 698,10	41 707,70	86 739,10
3	Fish and crustaceans, mollusks and other aquatic invertebrates	645,4	1 779,60	14 119,60	40 011,20
4	Dairy products; birds' eggs; natural honey; foodstuffs of animal origin not elsewhere specified or included	11 673,80	20 211,10	51 672,10	182 511,60
5	Animal products not elsewhere specified or classified	9 176,40	4 968,10	1 027,30	2 045,20
6	Live trees and other plants; roots, bulbs and other similar parts of plants; cut flowers and ornamental plants	100,4	502,3	9 503,70	32 806,90
7	Vegetables and some edible fruits, roots and tubers	251 310,70	212 388,40	214 342,70	78 074,90
8	edible fruits and nuts; peel of citrus fruits or melons	470 767,80	513 514,90	138 539,70	151 855,90
9	Coffee, tea, mate or Paraguayan tea and spices	887,4	6 836,80	16 696,80	81 948,10
10	Cereal plants	2 012,50	454,3	1 366 548,70	390 198,30
11	milling industry products; malt; starches; inulin; wheat germ	832	375,9	104 735,00	38 307,30
12	Oilseeds and grains; other seeds, grains and cereals; medicinal and technical plants; straw and fodder	29 201,30	8 494,30	29 024,80	56 164,70
13	Unrefined natural shellac; gums, resins and other vegetable saps and extracts	130,2	1 258,80	101,5	1 271,40
14	Vegetable materials for the manufacture of textile articles; other vegetable products not elsewhere specified or included	8 699,80	1 077,50	2 091,70	1 440,70
15	Animal or vegetable fats and oils and their cleavage products; prepared edible oils; animal or vegetable waxes	13 197,40	21 729,90	147 287,10	183 676,40
16	Products made from meat, fish or crustaceans, mollusks or other aquatic invertebrates	116,4	952,6	14 817,20	46 570,50
17	Sugar and sugar confectionery	32 634,20	24 930,40	317 460,60	239 171,70
18	Cocoa and products made from it	3 514,80	9 683,30	31 520,40	111 281,50
19	Preparations of cereals, flour, starch or milk; pastry goods	9 060,60	10 202,70	71 887,10	175 832,30
20	Products processed from vegetables, fruits, nuts or other parts of plants	26 026,30	33 846,10	33 151,90	69 362,60
21	Various food products	3 743,20	3 551,30	43 849,10	150 815,50

22	Alcoholic and spiritual beverages and vinegar	77 361,00	60 229,10	88 285,90	97 840,50
23	Residues and waste from the food industry; prepared animal feed	40 472,10	8 464,20	219 522,70	127 816,90
24	Tobacco and tobacco industry substitutes	4 267,80	21 381,40	7 685,10	119 966,80
25	Salt, sulfur, earthenware, plastic materials, lime and cement	1 379 908,00	75 955,20	264 491,00	35 301,70
26	Ores, slag sand	17 134,50	19 192,50	4 671,50	817,4
27	Mineral candles containing mineral fuels, oil and their emission products;	47 003 298,80	31 017 128,90	4 244 382,10	1 985 431,70
28	Inorganic chemical products, precious metals, rare metals, radioactive elements and other isotopes in organic and other organic compounds;	3 480,70	18 599,80	273 787,90	156 149,90
29	Organic chemical compounds	502 841,00	91 474,60	45 409,40	53 431,10
30	Pharmaceutical products	511,7	14 706,30	26 405,50	560 837,00
31	Fertilizers	367 514,80	83 810,70	138 168,20	72 039,50
32	tanning substances and dyeing extracts, dyes, pigments and other dyes for dyeing and varnishes, printing inks;	52 092,30	10 751,00	28 621,50	79 797,40
33	Ethereal and resins, perfumery, cosmetics and toiletries;	410,0	8 624,00	31 462,00	238 334,70
34	Soap, surfactants, organic substances, detergents, lubricants, artificial clay, ready-made candles, ingredients, cleaning and polishing of candles and similar articles, cake making, plasticine, dental wax and dental treatment for plastics, dental ingredients	876,4	1 314,30	115 968,80	148 472,40
35	replacement of protein-containing substances;	173,2	396,6	7 247,50	21 323,60
36	explosives; pyrophoric substances;	-	-	10 889,60	18 063,60
37	Photo and film goods	1,3	10,0	667,0	6 697,10
38	Other chemical products	10 908,80	18 531,20	60 623,00	221 739,70
39	Plastic and products made from it	498 336,30	460 791,30	287 820,20	523 417,10
40	Rubber and articles thereof	244,7	1 254,20	49 864,70	184 984,20
41	Processing of uncleaned leather (other than natural) and grafted leather	3 260,30	8 323,60	123,9	511,1
42	Articles of leather; saddlery and harness; travel goods, handbags and similar articles; articles of animal gut (excluding fibers, cocoons of fibroin)	18,9	142,2	4 436,30	44 331,80

43	Natural and artificial fur made from it;	0,0	0,1	7,5	889,8
44	Wood and products made of wood; charcoal	3 979,60	3 875,10	1 028 312,10	388 494,70
45	Mushrooms and products made from them	-	-	67,3	968,3
46	Basketwork and wickerwork made of straw, reeds and other materials;	0,0	0,0	73,7	395,3
47	Paper and cardboard (waste and scrap) from regenerated materials made from wood and other fibrous cellulose;	0,0	0,1	472,9	735,1
48	Paper and paperboard; paper from pulp, paper, or paperboard products	691,9	1 297,70	143 669,00	267 427,90
49	Printed books, newspapers, reproductions, and other manuscripts of the printing industry, typewritten texts, and plans;	225,6	1 363,30	2 049,80	24 405,70
50	Silk	78,3	1 951,00	6,8	99,1
51	Wool, fine, and other coarse animal fur;	13,5	8,1	11,7	218,8
52	Cotton	83 065,90	163 960,00	2 023,30	7 789,80
53	Other vegetable textile fibers; paper and paperboard	0,6	1,5	9 838,80	6 384,50
54	Chemical yarn, chemical textile yarn, and similar yarn of flattened materials	392,5	815,8	16 033,70	57 301,80
55	Chemical fibers	1,5	12,1	8 615,10	26 811,20
56	cotton (cotton), felt and other special yarns, rope, twine and products thereof;	57,6	142,3	10 584,10	63 425,50
57	Touches carpets and floor coverings	11,3	290,0	8 382,20	22 822,80
58	Special fabrics; textiles; lace; tapestries; decorative materials; embroidery	95,2	488,4	2 129,70	11 532,60
59	Absorbent, coated, recycled textile materials, technical design textile products	24,7	39,6	2 516,60	10 521,40
60	Car and by-hand touch knitwear pieces by	47,8	295,1	13 129,70	57 877,40
61	Machine or hand-woven clothing and clothing accessories,	71,3	857,3	23 400,00	237 276,90
62	Articles of apparel and clothing accessories, other knitted and crocheted fabrics	160,8	2 122,50	12 171,50	177 905,10
63	Other made-up textile articles; sets; used clothing and textile articles; rags	13 650,60	24 472,30	11 811,30	50 803,50
64	Footwear, leggings and parts thereof;	97,6	576,8	18 718,30	135 930,60
65	Headgear and parts thereof	2,2	117,7	573,1	9 748,60
66	umbrellas, sunshades, walking sticks, steel seats, whips, whip saddles and parts thereof	0,2	2,4	352,4	1 490,40
67	Manufactured products; artificial flowers; processing away from man-made products	0,5	1,6	569,3	3 535,50
68	Articles of stone, plastic, cement, asbestos, mica and similar materials	71 898,90	11 596,30	141 190,70	67 012,50
69	Ceramic products	3 196,70	1 318,50	286 797,20	132 675,40

70	Glass and products made from it	43 645,00	15 911,90	130 498,90	104 207,20
71	natural and any cultured pearls, precious and any semi-precious stones, precious metals, metals clad with precious metals and articles thereof; costume jewellery; coins	10,0	166 714,00	251,3	55 919,40
72	Ferrous metals	75 883,70	50 349,90	595 713,60	463 798,50
73	Black from metals products	30 772,30	52 524,70	303 467,00	636 663,30
74	Copper and products made from it	4 565,80	31 809,20	3 317,50	32 019,00
75	Nickel and from manufactured products	0,0	8,8	105,3	5 471,20
76	From aluminum and manufactured products	74 502,40	195 181,70	32 740,80	139 547,10
78	Leading and from the prepared products	7 013,30	14 599,60	71,5	295,7
79	Products made of zinc from it	397,7	786,1	619,6	2 268,30
80	Tind from prepared products	0,0	0,0	11,9	312,2
81	Other base metals; cermets; fabricated products	0,1	6,8	131,4	430,8
82	Metal chairs, appliances, cutlery, spoons and forks, not of metal; parts thereof not of metal	96,0	1 737,90	9 149,80	54 037,20
83	Made without the cost of other products	425,3	3 793,70	24 518,80	84 970,60
84	Main reactors, boilers, equipment and their parts;	8 336,90	89 606,90	196 839,30	1 912 549,10
85	Electrical machines and parts thereof; sound recording and sound equipment, television image recording and reproducing apparatus, parts and accessories thereof	5 567,10	46 380,30	134 398,30	1 551 340,80
86	railway locomotives and other motor tramcars, railway vehicles and parts thereof;	462,7	2 308,70	16 952,90	76 657,90
87	Vehicles for land transport, on the other hand, railway and tramway vehicles, parts and accessories thereof	7 841,30	180 035,90	282 893,70	2 066 889,40
89	Ships, boats and floating structures	1 521,30	919,8	13 557,80	74 906,00
90	Optical, photographic, cinematographic, measuring, checking, precision, medical and other surgical instruments and parts and accessories thereof;	227,2	18 199,60	5 583,10	280 526,10
91	All types of watches and their parts	1,6	894,6	516,9	24 693,70
92	Musical instruments, their parts and accessories	3,1	96,5	199,7	2 182,30
94	Furniture; bedding, mattresses, sofas and cushions, furniture stuffing; lamps and lighting equipment not elsewhere specified or included; name and address lights, signs and plaques and a number of constructions;	3 715,00	5 861,50	46 909,20	222 453,70

95	Toys, games and sports equipment; parts and accessories thereof	33,9	236,8	10 586,00	55 283,70
96	Various finished products	711,4	1 992,10	23 792,10	91 292,00
97	Artwork, collectibles and antique shop	3,3	170,4	16,2	1 343,30

Source: State Statistical Committee of the Republic of Azerbaijan

## Foreign trade of the Republic of Armenia in 2023

In the last two years, significant changes have occurred in the structure of Armenia's trade turnover. In 2023, exports increased by 55.3%, from USD 5.4 billion (the same in 2022) to USD 8.4 billion. At the same time, imports increased by 40.2% over the same period, from USD 8.8 billion to USD 12.3 billion. In the last two years, exports and imports have increased by 2.8 and 2.3 times, respectively. Significant structural changes are also taking place in trade turnover.

In 2023, trade turnover between Armenia and Russia increased by 43% to USD 7.3 billion. Foreign trade remained almost at the same level (decreased from 35.6% to 35.3%). Exports from Armenia increased by about 39% to USD 3.4 billion. Thus, in trade with Russia, Armenia almost equalized exports by 47% and imports by 53%. Trade with the UAE, another important foreign trade partner, increased by 4 times to USD 2.3 billion, almost entirely due to Armenia's exports. A significant part of trade with both Russia and the UAE is for the resale of goods due to current geopolitical events. This is evidenced by the very large increase in trade with these two countries since 2022. Trade with China increased by 21% to USD 2.1 billion, while Armenia's imports increased by 15% to USD 425 million (mainly consisting of mining products). The ratio of imports and exports in foreign trade with China remained unchanged - about 80% and 20%, respectively. Trade with the United States increased by 45%, but exports from Armenia decreased by 40% (from about USD 78 million to USD 48 million). The reason is the high customs duties imposed by the US government on the purchase of aluminum foil from Armenia. Currently, the ratio of exports and imports of Armenia in trade with the United States is lower than in trade with China (7% and 93%, respectively). Trade with Iran decreased by about 2.5% due to a decrease in exports from Armenia by about 15% (up to USD 95 million). The decrease in exports may be due to changes in supplies under the “gas for electricity” scheme, since along with electricity, exports from Armenia to Iran are severely restricted. Therefore, exports in trade with Iran significantly lag behind imports (15%- 85%, respectively). In general, trade with the European Union increased by about 17% to USD 2.7 billion, but exports decreased by 8% (about USD 710 million). The share of exports in trade with the EU is about 26%. As for the share of these countries in Armenia's foreign trade, in the case of Russia, as we have noted, it was 35.3%, then by countries: UAE - 11.1%, China - 10.3%, Iran - 3.3%. USA - 3.2%, the EU countries -12.9%, including Germany - 3.1%, Italy - 2.0%, Netherlands - 1.4%.

According to the Armenian Customs Service, approximately 4.5 million carats of diamonds were exported in 2023, with a total value of USD 559 million. This is the highest number of diamonds exported from Armenia in at least the last ten years. Compared to the same months of last year, the volume of diamonds exported from Armenia increased by 2.5 times, and their value by 40%. It should be noted that, according to official statistics, only 150,000 carats of diamonds were processed in Armenia. This is mainly to meet demand in the domestic market.

In the first half of 2023, 13,955 passenger cars were exported from Armenia, with a total value of approximately USD 311 million, which means that both the number and value of cars exported from Armenia increased by approximately 20 times compared to the same period in 2022.

**Table 2. Imports and exports of the Republic of Armenia by commodity groups in 2023 (thousand USD)**

Code	Group of goods	Export		Import	
		weight, ton	thous. USD	weight, ton	thous. USD
	<b><u>TOTAL</u></b>	<b><u>1 285</u></b> <b><u>400,0</u></b>	<b><u>8 552</u></b> <b><u>015,1</u></b>	<b><u>6 931</u></b> <b><u>093,3</u></b>	<b><u>12 757</u></b> <b><u>919,4</u></b>
1	Live animals	4 437,6	12 697,1	4 370,7	14 641,8
2	Meat and meat by-products	1 703,9	6 367,1	58 694,7	108 321,9
3	Fish and crustaceans, mollusks and other marine invertebrates	9 775,2	56 949,2	2 592,0	17 256,5
4	Milk and dairy products, bird eggs, natural honey and other animal products	3 600,8	23 848,8	29 272,1	94 675,6
5	Other animal products	1 140,9	1 457,5	1 650,2	14 774,8
6	Live trees, shrubs and other plants	7 284,7	21 913,1	6 240,3	23 220,5
7	Vegetables and other edible roots and tubers	39 790,2	52 552,3	45 920,2	31 993,0
8	Peels and rinds of edible fruits and nuts, citrus or melon plants	93 774,5	84 114,3	94 804,8	97 115,1
9	Coffee, tea, mate, other spices	5 065,4	22 701,7	18 196,8	57 002,9
10	Cereals	130,3	194,5	482 345,4	92 501,7
11	Flour-cereal products, malt, starch, inulin, etc.	507,9	643,3	79 806,8	18 682,0
12	Olive seeds and fruits, medicinal and technical plants, straw	1 011,5	3 066,0	9 036,2	20 607,9
13	Resin, pitch, tar and other vegetable juices and juices	8,8	99,6	618,7	16 094,5
14	Plant materials for the production of textiles and other vegetable products	83,4	78,6	2 255,7	1 514,8
15	Animal and vegetable oils and fats, edible fats, beeswax	796,6	1 530,1	53 857,1	66 674,7
16	Meat, fish and other marine invertebrates	1 253,0	10 205,2	6 055,0	18 214,1
17	Sugar and sugar confectionery	1 395,4	2 601,1	78 618,4	65 033,2
18	Cocoa and products made from it	2 306,4	20 874,5	16 430,5	77 026,2
19	Products made from wheat, flour, starch and milk, flour confectionery	1 597,6	4 923,3	31 377,9	68 924,0
20	Products obtained from the processing of vegetables, fruits, nuts and parts of plants	35 954,0	56 892,3	39 156,4	53 786,5
21	Other miscellaneous foods	2 994,4	19 998,7	15 851,4	68 075,1
22	Alcoholic and non-alcoholic beverages and vinegar	195 070,0	380 387,8	119 079,5	89 362,8
23	Food industry residues, prepared animal feed	6 011,4	13 789,8	109 804,6	84 250,2
24	Tobacco and industrial tobacco substitutes	31 692,9	382 822,2	10 807,4	107 083,9

25	Salt, sulfur, soil and stone, plastering materials, lime and cement	147 656,2	10 616,4	643 342,3	36 270,4
26	Ore, slag and ash	366 208,3	801 686,3	3 878,5	20 613,5
27	Mineral fuels, oil and oil products, bituminous materials, waxes	11 406,4	74 480,4	2 747 105,4	1 067 470,5
28	Inorganic chemical compounds, radioactive elements and isotopes	3 430,6	11 836,8	56 304,3	45 917,8
29	Organic chemical compounds	454,4	8 539,7	9 938,9	21 296,1
30	Pharmaceutical product	2 346,8	33 502,4	4 964,6	224 254,1
31	Fertilizers	428,1	566,7	50 836,6	24 539,4
32	Dyes, pigments and other colouring matter, varnishes, inks	8 500,0	19 127,3	28 085,1	58 596,9
33	Essential oils, toiletries and bath products	1 290,1	14 680,3	13 219,0	106 724,2
34	Soap, organic surfactants, cleaning agents and ointments, candles and other cosmetics	2 215,6	8 074,7	36 853,2	54 851,0
35	Protein materials, glue, modified starch, enzymes	712,3	5 844,9	4 634,4	17 016,4
36	Explosives, matches and other flammable materials	55,2	125,9	658,1	2 580,6
37	Photo and film products	57,9	2 781,0	277,5	3 143,2
38	Other chemical products	1 734,6	18 389,2	25 551,9	68 065,0
39	Plastic and products made from it	10 890,2	44 067,0	122 016,2	248 246,1
40	Rubber and articles thereof	28 608,2	27 683,1	41 821,0	106 346,5
41	Raw hides and skins	200,9	164,3	337,9	3 194,5
42	Leather products, animal gut products	252,8	20 161,0	2 480,5	37 750,7
43	Natural and artificial fur and products made from them	26,0	1 735,2	67,2	1 761,0
44	Wood and wood products, coal	1 892,4	8 331,6	180 149,4	84 714,8
45	Cork and products made from it	61,0	1 040,9	448,2	6 998,7
46	Straw goods	2,3	39,3	149,3	517,0
47	Mass of wood and other fibrous materials	0,0	0,0	675,3	190,5
48	Paper and cardboard, articles made from them	1 277,9	3 774,6	79 616,7	136 882,7
49	Books, newspapers, printed matter	82,7	1 491,2	1 313,0	11 085,6
50	Silk	48,9	41,6	1,2	49,4
51	Wool, fine and coarse animal fur, horsehair fabric and cloth	83,0	125,0	68,3	1 718,8
52	Cotton	823,7	802,0	7 325,0	22 410,4
53	Other vegetable textile fabrics, paper fabrics and their pieces	23,1	15,2	71,4	133,0
54	Chemical fibers	935,4	379,3	7 422,9	56 105,5
55	Chemical fabric	5 142,7	10 559,1	11 600,4	49 481,5
56	Yarn, cotton, special fabric, rope, twine, thread and articles thereof	272,2	1 849,7	4 646,2	33 372,7
57	Carpets and other textile floor coverings	4 125,0	6 362,5	5 858,2	15 815,4

58	Special fabrics, embroidery fabrics, tapestries, finishing materials, etc.	19,5	134,2	2 000,1	18 426,0
59	Textiles, processed, enriched coated products and technical products from them	21,9	499,0	2 034,3	32 402,0
60	Knitted wallpaper with machine or hand weaving	143,2	525,5	5 966,3	30 797,0
61	Knitted garments and clothing accessories, machine or hand knitted	3 821,3	95 699,1	8 605,4	151 747,8
62	Knitted or crocheted garments and clothing accessories, except for machine or hand-knitted	5 821,6	228 052,0	19 279,7	199 300,6
63	Knitted wallpaper, machine or hand woven, scraps	1 331,0	12 372,4	7 775,0	40 401,7
64	Shoes, tights and similar items	866,3	38 131,8	17 582,8	108 331,8
65	Headgear and parts thereof	38,1	2 954,0	319,9	6 041,5
66	Umbrellas, walking sticks, whips, whips and parts thereof	37,2	518,4	194,8	1 442,5
67	Processed feathers and articles made of feathers and articles made of feathers, artificial flowers, articles made of human hair	17,7	172,0	213,3	1 495,7
68	Articles of stone, plaster, cement and similar materials	22 367,4	11 798,6	100 321,0	39 863,4
69	Ceramics	7 615,6	3 656,5	151 959,5	61 058,0
70	Glass and glassware	35 477,1	22 112,2	192 520,3	74 803,3
71	Natural or artificial pearls, precious or semi-precious stones, precious metals	2 860,4	3 219 725,3	1 311,4	2 731 258,4
72	Ferrous metals	28 730,9	297 599,5	313 072,7	217 927,2
73	Items made of ferrous metals	923,7	8 091,4	155 486,5	158 912,3
74	Copper and articles thereof	2 884,2	21 158,8	1 812,1	16 507,2
75	Nickel and articles thereof	2,2	53,9	3,8	249,1
76	Aluminum and products thereof	31 264,8	104 468,5	43 167,0	138 889,4
78	Arzhich and things made from it	2 511,4	4 997,2	8,0	79,6
79	Zinc and its products	1,4	14,9	132,8	602,3
80	Tin and its products	0,0	0,0	7,7	230,0
81	Other base metals, alloys and articles thereof	77,0	3 810,3	133,6	3 956,1
82	Tools, knives, spoons, forks of base metal	365,2	9 503,2	3 540,2	28 671,8
83	Other articles of base metal	1 662,2	10 002,7	12 688,9	40 033,0
84	Nuclear reactors, boilers, equipment and mechanical parts	24 385,4	359 825,8	127 296,2	1 061 297,3
85	Electrical machinery and equipment, recording equipment and parts thereof	17 063,9	990 683,1	68 975,2	1 418 906,5
86	Locomotives, trams and their parts	71,3	178,0	2 242,9	2 281,1
87	Land vehicles, other than railway or tramway rolling-stock, and their parts and equipment	41 465,8	559 643,9	209 335,3	1 715 988,8
88	Aircraft, spacecraft and their parts	75,9	26 079,2	143,2	62 777,2
89	Ships, boats and other floating vessels	21,5	356,2	46,1	1 347,0

90	Optical, photographic, measuring, medical or surgical instruments and apparatus, and parts and accessories thereof	1 659,3	128 915,3	5 237,7	249 588,1
91	Watches and their parts	32,5	9 099,0	195,9	14 256,1
92	Musical instruments and their parts	27,4	6 899,2	88,2	2 492,5
94	Furniture, bedding and related parts	2 382,4	29 087,6	51 489,6	125 124,4
95	Toys, games and sports equipment, their parts and accessories	378,0	7 556,8	6 965,3	43 655,2
96	Various ready-made items	334,2	17 303,5	10 359,7	75 495,3
97	Works of art, antiques	9,0	753,5	20,2	6 334,9

Source: Statistical Committee of the Republic of Armenia

## Comparative advantage in Azerbaijan-Armenia economic relations

The normalization of Armenian-Azerbaijani relations and the establishment of a lasting peace can have a more positive impact on the economies of Azerbaijan and Armenia. Thus, a bad peace is better than a good war. It can be said with great certainty that the achievement of peace conditions will greatly benefit both countries and the countries of the region in general. After the conclusion of the Peace Treaty between Azerbaijan and Armenia, the socio-economic landscape of the region will completely change for the better. More effective cooperation in the field of transport will undoubtedly bring significant benefits to both Armenia and its neighbors. Thus, the opening of the transport corridor will open the borders with Azerbaijan and Türkiye, increase Armenia's foreign trade, attract FDI to the country at low interest rates, create additional production areas and new jobs, reduce military spending, and allocate more funds to education and healthcare. However, even though the war will end in 2020, both sides continue to increase their military spending. This, in turn, makes it difficult to attract investments to the regions, agriculture, and agro-processing sectors of both countries. After achieving lasting and stable peace in the region, it will be possible to quickly attract FDI and diversify into other production sectors in both countries at low interest rates. According to the World Bank, in 2021, Armenia spent 4.2% of its GDP on the military, and Azerbaijan spent 5.2% of its GDP on the military. This is an average of 1.8% for Central Europe and the Baltics and 1.7% for all upper-middle-income countries.

The dependence of components of products manufactured in Armenia on imports, the weak position of local production in the domestic market, and the small number of sectors with comparative advantages are a solid basis for increasing orders for goods from abroad. Membership in the Eurasian Customs Union in 2015 further increased exports from other member countries to Armenia. The reduction of import duties among member countries within the Union and their reduction to 0 (unified customs and tariff policy) affected the price advantage of those countries in the domestic market of Armenia. In addition, it should be noted that after joining the Generalized System of Preferences of the European Union, export operations by the European Union countries accelerated. The main products imported are oil products and gas, poultry, a number of agricultural products, tobacco, medical supplies, information technologies, and technological equipment. According to the commodity structure, these goods and products constitute the daily and monthly consumption of households and legal entities.

There is a broad basis for possible economic relations between Azerbaijan and Armenia. Thus, geographical proximity dictates the establishment of mutually beneficial economic and trade relations, which minimize

transportation costs and quickly deliver goods and products to the buyer. Table (3) shows some groups of goods imported by Armenia and exported by Azerbaijan in 2023. As can be seen from the table, the goods and products exported by Azerbaijan may be of interest because they are cheaper than the same goods and products imported by Armenia. For example, in Table (3), products of animal origin not elsewhere specified or classified (code 5), raw hides and skins (code 41), wool, fine or coarse animal fur; yarn and fabric of horsehair (code 51), impregnated, coated, repeated textile materials; Technical textile products (code 59), lead and articles made from it (code 78) are cheaper by USD 2.95, USD 1.15, USD 9.22, USD 4.6 and USD 1.83, respectively, than the same groups of goods imported by Armenia. Armenia loses practically more than USD 100 million per year on the groups of goods shown in the table below alone. Armenia could have directed this amount as an investment in its economy every year, thereby generating more income and increasing its economic power. At the same time, the annual trade turnover between Azerbaijan and Armenia on the groups of goods shown in table (3) alone could have exceeded USD 200 million. It should also be noted here that the establishment of foreign trade relations would have increased not only the economy of Armenia, but also the export potential of Azerbaijan.

**Table 3. List of commodity groups and price difference of possible exports of the Republic of Azerbaijan to the Republic of Armenia (in thousand USD)**

XI F Ac cor din g to the Mi nis try of De fen sec od e	Group of goods	AZERBAIJAN'S EXPORTS			ARMENIA'S IMPORT			Differ ence betwe n Export s and Import s USD	Armen ia's potenti al savings (USD)
		Net (tons )	Statistic al value USD	Price of 1 unit of EXP ORT	Net (tons)	Statistic al value USD	Price of 1 unit of IMP ORT		
	TOTAL		199235, 8			215989, 33		107777 ,25	
1	Live animals	886, 5	682,4	0,77	4370, 706	5740,51 7	1,31	-0,54	2376,0 8
5	Animal products not elsewhere specified or classified	9176 ,4	4968,1	0,54	1650, 173	5767,75 5	3,50	-2,95	4874,3 5
12	Oil seeds and grains; other seeds, grains and grains; medicinal plants and plants for technical purposes; straw and fodder	29 201, 30	8 494,30	0,29	9036, 213	8133,93	0,90	-0,61	5505,4 1

13	Unrefined natural shellac; gums, resins and other vegetable saps and extracts	130,2	1 258,80	9,67	618,6 58	6311,35 3	10,2 0	-0,53	330,04
14	Vegetable materials for the manufacture of woven (woven) products; other vegetable products not elsewhere specified or included	8 699,80	1 077,50	0,12	2255, 691	603,983	0,27	-0,14	324,61
21	Various food products	3743,2	3551,3	0,95	15851,44	26651,087	1,68	-0,73	11612,29
23	Residues and waste from the food industries; prepared animal feedingstuffs	4047,2,1	8464,2	0,21	10980,4,63	33020,784	0,30	-0,09	10056,61
26	Ores, slags and ash	1713,4,5	19192,5	1,12	3878,487	8061,92	2,08	-0,96	3717,59
29	Organic chemical compounds	5028,41	91474,6	0,18	9938,878	8350,977	0,84	-0,66	6542,94
32	Tanning and dyeing extracts, tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; sealants and other mastics; printing inks, inks	5209,2,3	10751	0,21	28085,065	22973,483	0,82	-0,61	17177,18
41	Raw hides and skins (other than fur skins) and tanned leather	3260,3	8323,6	2,55	337,858	1251,432	3,70	-1,15	388,87
51	Wool, fine or coarse animal fur; horsehair yarn and fabric	13,5	8,1	0,60	68,326	670,867	9,82	-9,22	629,87
54	Man-made yarn, flat and similar yarn of man-made textile materials	392,5	815,8	2,08	7422,858	22049,559	2,97	-0,89	6621,36
56	Cotton, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	57,6	142,3	2,47	4646,163	13054,668	2,81	-0,34	1576,39
59	Impregnated, coated, retreaded textile materials; textile articles for technical purposes	24,7	39,6	1,60	2034,268	12732,851	6,26	-4,66	9471,43
63	Other made-up textile articles; sets; used clothing and textile articles; rags	1365,0,6	24472,3	1,79	7774,98	15877,951	2,04	-0,25	1939,25
78	Lead and products made from it	7013,3	14599,6	2,08	8,014	31,315	3,91	-1,83	14,63
89	Ships, boats and floating structures	1521,3	919,8	0,60	143,18	24704,898	172,54	-	24618,33

Source: State Statistical Committee of the Republic of Azerbaijan & Statistical Committee of the Republic of Armenia

Table (4) presents a list of commodity groups that Azerbaijan could fully satisfy in its potential exports to Armenia in 2023.

**Table 4. List of groups of goods that Azerbaijan can fully satisfy in its possible exports to Armenia in 2023 (thousands of USD)**

XIF According to the Ministry of Defense code	Group of goods	AZERBAIJAN'S EXPORTS			ARMENIA'S IMPORT			Difference between Exports and Imports USD	Armenia's potential savings (USD)
		Net (tons)	Statistical value USD	Price of 1 unit of EXPORT	Net (tons)	Statistical value USD	Price of 1 unit of IMPORT		
	TOTAL								45424,92
5	Animal products not elsewhere specified or classified	9176,4	4968,1	0,54	1650,173	5767,755	3,50	-2,95	4874,35
14	Vegetable materials for the manufacture of woven (woven) products; other vegetable products not elsewhere specified or included	8699,80	1077,50	0,12	2255,691	603,983	0,27	-0,14	324,61
23	Residues and waste from the food industries; prepared animal feedingstuffs	40472,1	8464,2	0,21	109804,63	33020,784	0,30	-0,09	10056,61
26	Ores, slags and ash	17134,5	19192,5	1,12	3878,487	8061,92	2,08	-0,96	3717,59
29	Organic chemical compounds	50284,1	91474,6	0,18	9938,878	8350,977	0,84	-0,66	6542,94
32	Tanning and dyeing extracts, tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; sealants and other mastics; printing inks, inks	52092,3	10751	0,21	28085,065	22973,483	0,82	-	17177,18
41	Raw hides and skins (other than furskins) and tanned leather	3260,3	8323,6	2,55	337,858	1251,432	3,70	-1,15	388,87

63	Other made-up textile articles; sets; used clothing and textile articles; rags	13650,6	24472,3	1,79	7774,98	15877,951	2,04	-0,25	1939,25
78	Lead and products made from it	7013,3	14599,6	2,08	8,014	31,315	3,91	1,83	14,63
51	Wool, fine or coarse animal fur; horsehair yarn and fabric	13,5	8,1	0,60	68,326	670,867	9,82	9,22	629,87

Source: State Statistical Committee of the Republic of Azerbaijan & Statistical Committee of the Republic of Armenia

**Table 5. Foreign trade of the Republic of Armenia with individual countries in 2023 for some groups of goods (thousand USD)**

Code	Country	Country code Country code	EXPORT		IMPORT	
			weight, ton	thousand USD	weight, ton	thousand USD
	<b>General Armenia</b>		<b>1 285 400,0</b>	<b>8 552 015,1</b>	<b>6 931 093,3</b>	<b>12 757 919,4</b>
<b>5</b>	<b>Other animal products</b>		<b>1 140,9</b>	<b>1 457,5</b>	<b>1 650,2</b>	<b>14 774,8</b>
	Argentina	32	-	-	198,0	329,3
	France	250	-	-	553,3	1428,2
	Germany	276	0,0	1,0	173,4	273,3
	Iran	364	-	-	262,5	1300,8
	Italy	380	0,0	0,4	74,1	9048,9
	Netherlands	528	-	-	120,6	367,8
	Russian Federation	643	502,8	229,9	1256,2	411,3
<b>12</b>	<b>Olive tree seeds and fruits, herbs and technical plants, straw</b>		<b>1 011,5</b>	<b>3 066,0</b>	<b>9 036,2</b>	<b>20 607,9</b>
	Unknown country	0	1,2	105,8	27,6	25,2
	Argentina	32	-	-	77,4	167,5
	Belarus	112	1,8	2,8	90,8	183,6
	China	156	-	-	1346,9	3176,2

	Denmark	208	-	-	21,0	90,7
	Germany	276	0,6	12,7	54,8	1242,5
	India	356	-	-	370,8	1657,8
	Islamic Republic of Iran	364	-	-	216,4	131,1
	Italy	380	-	-	14,4	421,5
	Russian Federation	643	888,2	466,5 <sup>2</sup>	5 762,1	6247,6
	Türkiye	792	-	-	865,2	1658,1
<b>14</b>	<b>Vegetarian materials textured products preparation number, other vegetable products</b>		<b>83,4</b>	<b>78,6</b>	<b>2 255,7</b>	<b>1514,8</b>
	Sri Lanka	144	-	-	1 904,2	1201,9
	China	156	-	-	102,9	107,8
	India	356	-	-	113,3	75,5
<b>26</b>	<b>ore, slagash</b>		<b>366 208,3</b>	<b>801 686,3</b>	<b>3 878,5</b>	<b>20613,5</b>
	Islamic Republic of Iran	364	717,3	942,5	2 575,1	19488,6
	Russian Federation	643	327,2	081,9	1 125,7	1028,0
<b>29</b>	<b>Organic chemical compound</b>		<b>454,4</b>	<b>8 539,7</b>	<b>9 938,9</b>	<b>21296,1</b>
	Unknown Country	0	0,0	0,5	103,8	588,8
	China	156	0,0	0,0	2 281,4	5593,6
	Germany	276	0,1	37,8	576,8	2437,6
	Islamic Republic of Iran	364	-	-	1 617,0	1251,2
	Japan	392	0,0	9,7	99,6	304,5
	Republic of Korea	410	-	-	117,0	348,2
	Russian Federation	643	225,4	569,3 <sup>6</sup>	4233,9	3532,3

	Türkiye	792	-	-	197,7	376,8
	United States	840	0,2	473,6	152,2	1167,7
<b>32</b>	<b>Dyes, pigments and other dyestuffs, varnishes, inks</b>		<b>8 500,0</b>	<b>19 127,3</b>	<b>28 085,1</b>	<b>58596,9</b>
	Unknown country	0	0,2	1,4	2 817,7	541,3
	EU countries, not specified	111	-	-	428,9	1418,8
	China	156	0,3	22,9	1 302,8	6378,3
	Czech Republic	203	0,1	11,1	457,3	2673,2
	Estonia	233	-	-	222,1	1185,1
	Georgia	268	6	2	5 582,3	2021,5
	Germany	276	0,1	0,1	701,2	4658,9
	Greece	300	-	-	432,7	1807,4
	Islamic Republic of Iran	364	10,1	51,5	1 460,7	1662,4
	Italy	380	-	-	1	213,3
	Netherlands	528	-	-	159,9	1154,6
	Poland	616	-	-	708,6	3119,7
	Romania	642	-	-	176,6	230,0
	Russian Federation	643	1	13	8 622,6	9721,4
	Serbia	688	-	-	106,4	140,7
	Spain	724	0,0	0,1	81,6	382,2
	Sweden	752	-	-	63,3	349,1
	United Arab Emirates	784	9,7	10,4	142,7	412,2
	Türkiye	792	-	-	2 342,8	5654,4

	Ukraine	804	0,1	5,4	267,5	671,0
	United Kingdom	826	0,0	0,0	65,0	699,5
	United States	840	0,0	0,0	88,4	610,3
<b>41</b>	<b>Raw fur and developed leather</b>		<b>200,9</b>	<b>164,3</b>	<b>337,9</b>	<b>3 194,5</b>
	Belarus	112	-	-	11,0	49,4
	China	156	-	-	9,4	217,3
	Colombia	170	-	-	8,8	6,1
	Islamic Republic of Iran	364	-	-	7,6	55,5
	Italy	380	-	-	19,0	675,1
	Pakistan	586	23,1	18,4	11,5	380,3
	Russian Federation	643	1,8	56,8	63,3	240,1
	Türkiye	792	151,4	76,8	200,6	1 350,6
<b>63</b>	<b>Knitwear poster mechanical or arm with fabric, trash</b>		<b>1 331,0</b>	<b>12 372,4</b>	<b>7 775,0</b>	<b>40 401,7</b>
	Unknown country	0	0,8	97,5	478,0	632,0
	China	156	0,5	0,4	1 231,5	5 329,9
	India	356	-	-	246,6	792,1
	Islamic Republic of Iran	364	17,4	220,2	1 027,7	1921,4
	Lithuania	440	-	-	195,9	85,2
	Russian Federation	643	150,9	514,0	3 542,9	25021,3
	Türkiye	792	0,0	1,0	499,6	2638,3
	Uzbekistan	860	0,8	3,1	202,8	932,0
<b>78</b>	<b>Arzhichiveshiiz this</b>		<b>2 511,4</b>	<b>4 997,2</b>	<b>8,0</b>	<b>79,6</b>
	Unknown country	0	-	-	3,1	35,9

	Russian Federation	643	0,3	3,5	4,2	22,1
<b>51</b>	<b>Wool, delicate, and rough animal fur horsehair texture juice</b>		<b>83,0</b>	<b>125,0</b>	<b>68,3</b>	<b>1 718,8</b>
	Belarus	112	-	-	4,7	89,3
	China	156	-	-	39,3	974,2
	Italy	380	0,0	9,3	9,4	476,7
	Russian Federation	643	77,6	112,7	4,8	76,9
	Türkiye	792	-	-	6,5	27,0

1. Products of animal origin not elsewhere specified or classified (code 5). In 2023, Armenia's import of this commodity group was 1650.173 tons, the price of 1 kg was USD 3.5, Azerbaijan's export of this commodity group was 9176.4 tons, the price of 1 kg was USD 0.54. The price difference is USD 2.96 per kg, and Armenia's potential savings on this commodity group could be USD 4 million 874 thousand.
2. Oilseeds and grains; other seeds, grains and cereals; medicinal plants and plants for technical purposes; straw and fodder (code 12). In 2023, Armenia's imports of this commodity group were 9036.21 tons at a price of USD 0.90 per kg, Azerbaijan's exports of this commodity group were 29201.3 tons at a price of USD 0.29 per kg. The price difference was USD 0.61 per kg, and Armenia's potential savings on this commodity group could have been USD 5 million 505 thousand.
3. Vegetable materials for the preparation of woven products; other vegetable products not elsewhere specified or classified (code 14). In 2023, Armenia's imports of this commodity group were 2255.69 tons at a price of USD 0.27 per kg, Azerbaijan's exports of this commodity group were 8699.8 tons at a price of USD 0.12 per kg. The price difference is USD 0.15 per 1 kg, Armenia's potential savings on this commodity group could be USD 324 thousand.
4. Ores, slags and ash (code 26). In 2023, Armenia's import of this commodity group was 3878.487 tons, the price of 1 kg was USD 2.08, Azerbaijan's export of this commodity group was 17134.5 tons, the price of 1 kg was USD 1.12. The price difference is USD 0.96 per 1 kg, Armenia's potential savings on this commodity group could be USD 3 million 717 thousand.
5. Organic chemical compounds (code 29). In 2023, Armenia's imports of this group of goods were 9938.878 tons at a price of USD 0.84 per kg, while Azerbaijan's exports of this group of goods were 502841 tons at a price of USD 0.18 per kg. The price difference was USD 0.66 per kg, and Armenia's potential savings on this group of goods could be USD 6 million 542 thousand.
6. Tanning and dyeing extracts, tannins and their derivatives; dyes, pigments and other coloring matter; paints and varnishes; sealants and other mastics; typography (code 32). In 2023, Armenia's import of this group of goods was 28085.065 tons, the price of 1 kg was USD 0.82, Azerbaijan's export of this group of goods was 52092.3 tons, the price of 1 kg was USD 0.21. The price difference was USD 0.61 per 1 kg, Armenia's potential savings on this group of goods could be USD 17 million 177 thousand.
7. Raw hides (except natural fur) and tanned leather (code 41). In 2023, Armenia's imports of this commodity group were 337,858 tons at a price of USD 3.7 per kg, Azerbaijan's exports of this commodity group were 3,260.3

tons at a price of USD 2.55 per kg. The price difference was USD 1.15 per kg, and Armenia's potential savings on this commodity group could have been USD 388 thousand.

8. Other ready-made textile products; sets; used clothing and textile products (code 63). In 2023, Armenia's imports of this commodity group were 7,774.98 tons at a price of USD 2.04 per kg, Azerbaijan's exports of this commodity group were 13,650.6 tons at a price of USD 1.79 per kg. The price difference is USD 0.25 per 1 kg, Armenia's potential savings on this commodity group could be USD 1 million 939 thousand.

9. Lead and articles thereof (code 78). In 2023, Armenia's import of this commodity group was 8,014 tons, the price of 1 kg was USD 3.91, Azerbaijan's export of this commodity group was 7,013.3 tons, the price of 1 kg was USD 2.08. The price difference is USD 1.83 per 1 kg, Armenia's potential savings on this commodity group could be USD 14 thousand.

10. Wool, fine or coarse animal fur; horsehair yarn and fabric (code 51). In 2023, Armenia's import of this commodity group was 68,326 tons at a price of USD 9.82 per kg, Azerbaijan's export of this commodity group was 13.5 tons at a price of USD 0.6 per kg. The price difference is USD 8.22 per kg. Armenia's possible savings on this commodity group could be USD 629 thousand. However, Azerbaijan has more export opportunities on this commodity group.

Armenia's possible savings on the above-mentioned commodity groups could be USD 40 million 785 thousand. Azerbaijan can provide a certain part of Armenia's imports on the following commodity groups; 1, 13, 21, 23, 54, 56, 59.

In addition to Armenia's import costs with other countries, considering the distance and, of course, transfer costs, trading and establishing business relations with Azerbaijan is much more profitable than with distant countries such as China, Russia, India, Sri Lanka, and France.

## **Conclusion and Recommendations**

The volume and direction of trade depend on direct political dialogue. Currently, the main trade is carried out indirectly and possibly through third countries. With the progress of the peace process, there is potential for cooperation in such mutually beneficial and interesting areas as agriculture, energy, medical products, etc. While in the short term only export and import prices are examined, in the long term the cost of production will also be added to the comparison. Looking at import and export costs as a first step will in itself encourage more revenue in business between the two countries. Because it will help shape the business environment, primarily by reducing transportation costs, and entering a market that can meet similar demands.

Azerbaijan can fully ensure Armenia's imports of the following groups of goods:

1. Products of animal origin, not elsewhere specified or included (code 5)
2. Oil seeds and grains; other seeds, grains, and grains; medicinal plants and plants for technical purposes; straw and fodder (code 12)
3. Vegetable materials for the preparation of textile (masonry) products; other vegetable products, not elsewhere specified or included (code 14)
4. Ores, slags and ash (code 26)
5. Organic chemical compounds (code 29)
6. Tanning and dyeing extracts, tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; sealants and other mastics; printing (code 32)
7. Raw hides and skins (other than furskins) and tanned leather (code 41)
8. Other made-up textile articles; sets; made-up garments and textile articles (code 63)
9. Lead and articles thereof (code 78)
10. Wool, fine or coarse animal fur; horsehair yarn and fabrics (code 51).

## References

- Azərbaycan Respublikasının 2025-ci il dövlət büdcəsi haqqında Azərbaycan Respublikasının Qanunu
- Azərbaycan Respublikasının 2025-ci il büdcəsinin layihəsinə Azərbaycan Respublikası Hesablama Palatasının Rəyi, Bakı-2024
- Azərbaycan Respublikasının Dövlət Statistika Komitəsi Məruzə № 10 18 noyabr 2024-cü il
- Armenia, E. o. (2024). Economic Report 2023-24 of Armenia. Embassy of Switzerland in Armenia.
- ArmenPress. (2025). Armenia economic indicators continued growth in 2024. ARMENPRESS
- Bayramov, V. & Orujova, L. (2017). Volatility, Diversification and Oil Shock in Resource-Rich Turkic Countries: Avenues for Recovery . Bilig , Special Issue on Eurasian Political Economy , 303- 329 . Retrieved from <https://dergipark.org.tr/en/pub/bilig/issue/42612/519424>
- Bayramov, V., & Abbas, G. (2017). Oil shock in the Caspian Basin: Diversification policy and subsidized economies. Resources Policy, 54, 149–156. <https://doi.org/10.1016/j.resourpol.2017.10.006>
- Bayramov, V., Hasanov, R., & Gasimova, N. (2021). Perspectives on the Analysis and Development of Social Policies in Azerbaijan. SpringerLink. [https://link.springer.com/chapter/10.1007/978-3-030-57753-7\\_10?error=cookies\\_not\\_supported&code=5d9393a6-e46c-4f5e-9b2d-2bf151f8c284](https://link.springer.com/chapter/10.1007/978-3-030-57753-7_10?error=cookies_not_supported&code=5d9393a6-e46c-4f5e-9b2d-2bf151f8c284)
- [https://cesd.az/new/wp-content/uploads/2020/08/Amendments\\_State\\_Budget\\_2020\\_Azerbaijan.pdf](https://cesd.az/new/wp-content/uploads/2020/08/Amendments_State_Budget_2020_Azerbaijan.pdf)
- Bayramov, V. (2008). A Comparative Analysis of CIS Countries' WTO Accession; Ways to European Integration, <http://siteresources.worldbank.org/INTRAD/Resources/Bayramov.pdf>
- Bayramov, V., Safarova, G., Garajayev, M. (2023). Economic Effects of Belt and Road Initiative: The Case of Southern Caucasus and Central Asia Countries. In: Wang, L. (eds) China's Development and the Construction of the Community with a Shared Future for Mankind. Research Series on the Chinese Dream and China's Development Path. Springer, Singapore. [https://doi.org/10.1007/978-981-19-7423-6\\_50](https://doi.org/10.1007/978-981-19-7423-6_50)
- Bayramov, V. (2008). A Comparative Analysis of CIS Countries' WTO Accession; Ways to European Integration, <http://siteresources.worldbank.org/INTRAD/Resources/Bayramov.pdf>
- Nigar Islamli ,Amendments in the 2022 State Budget of Azerbaijan: Impacts and Perspectives <https://cesd.az/y/read.php?id=180>
- Murad Agayev. The European Green Deal: Assessing the Potential Economic Impacts of a Carbon Border Adjustment Mechanism. <https://cesd.az/y/panel/uploads/19606617209-CESDPaperCarbonBorderAdjustmentMechanism.pdf>
- Karabakh Economy: New Driver for Sustainable Economic Development in Azerbaijan, <https://azerbajantoday.az/2021/04/25/karabakh-economy-new-driver-for-sustainable-economicdevelopment-in-azerbaijan/>
- İsmayilov, K. (2025). Textile Industry in Azerbaijan: Opportunities, Perspectives and Challenges. CESD.

Mgdesyan, A. (2024, August 16). Business Media. Retrieved from bm.ge: <https://bm.ge/en/news/tradeturnover-between-armenia-and-china-exceeds-14-billion-in-the-first-half-of-2024>

MKRTCHYAN, H. G. (2024). THE ROLE OF IMPORTS AS THE FACTOR OF ENSURING ECONOMIC GROWTH IN ARMENIA:CHALLENGES AND PROSPECTS. RPPE. OEC. (2024).

Armenia. oec.world. Parsyan, S. (2024). Routing new trade corridors through the Armenian Highlands. horizon.

Vugar Bayramov, A Comparative Study on Development of Small and Medium Enterprises (SMEs) in Azerbaijan  
Posted: 2017

Vugar Bayramov, “Considering Accession to the Eurasia Economic Union: For Azerbaijan, Disadvantages Overweight Advantages,” Caucasus Analytical Digest 51–52 (2013)

Vugar Bayramov, Nabi Rustamli, Gulnara Abbas, Collateral damage: The Western sanctions on Russia and the evaluation of implications for Russia’s post-communist neighbourhood, International Economics, Volume 162, 2020, Pages 92-109, ISSN 2110-7017, <https://doi.org/10.1016/j.inteco.2020.01.00>