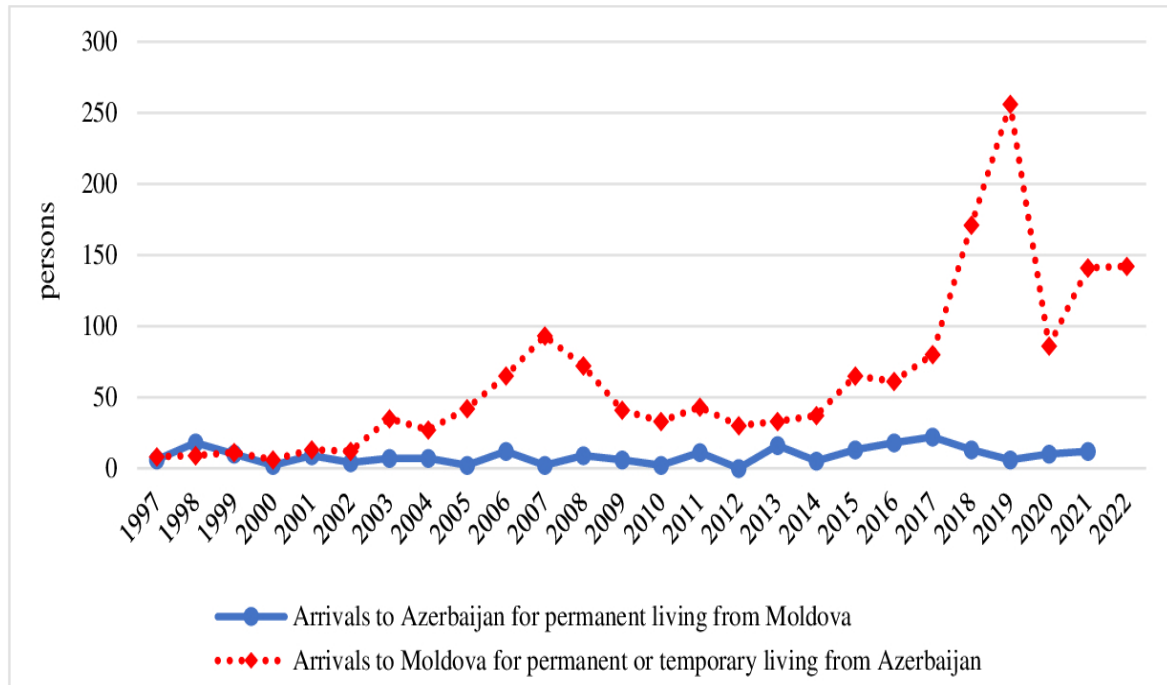


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DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN THE REPUBLIC OF AZERBAIJAN AND THE REPUBLIC OF MOLDOVA

In the second year after the declaration of state independence by the Republic of Azerbaijan, diplomatic relations were established between the Republic of Azerbaijan and the Republic of Moldova (1992). The territory of Azerbaijan is 2.6 times larger than the territory of Moldova, and the population is 3.4 times larger too. The population density in Azerbaijan is higher than in Moldova. There are friendly relations between our countries. The Azerbaijani diaspora in Moldova is four times

larger than the Moldovan diaspora in Azerbaijan. An analysis of migration between our countries showed that in 2021, 12 people arrived from Moldova to Azerbaijan for permanent residence, 141 people from Azerbaijan to Moldova, and 142 people in 2022 (Figure 1).



Source: Author processing based on data of the State Statistical Committee of the Republic of Azerbaijan [6] and National Bureau of Statistics of the Republic of Moldova [7].

Figure 1. Dynamics of migration

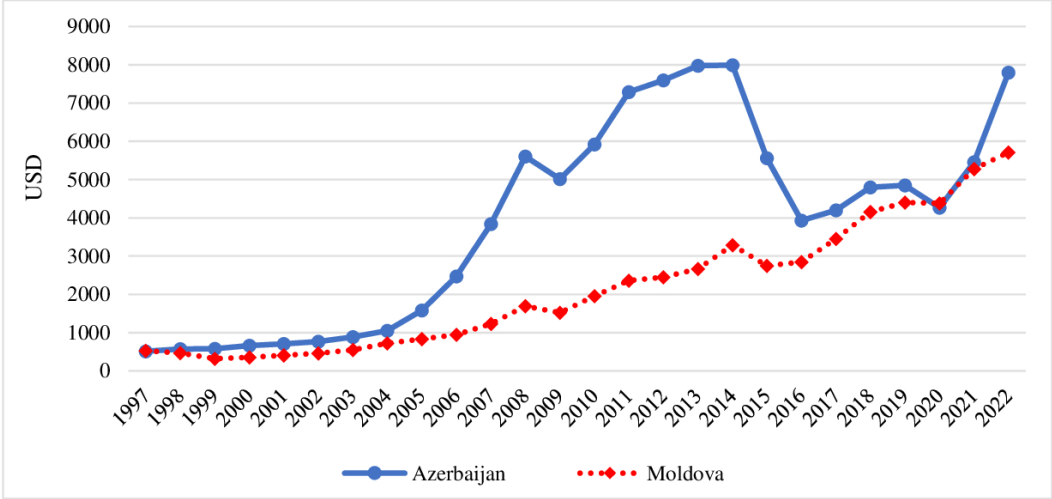
In the structure of migration of Azerbaijanis to Moldova, labor migration prevails, and the second purpose of arrival is family migration, immigration for the reunification of Azerbaijani families (Table 1), so Azerbaijani diaspora in the Republic of Moldova is growing. Before the COVID-19 pandemic, emigration from Azerbaijan to Moldova increased by 2.1 times in 2018 and 1.5 times in 2019 compared to the previous year.

Table 1. Arrivals to Moldova for permanent or temporary living from Azerbaijan and purpose of arrival, persons

Purpose of arrival	2018	2019	2020	2021	2022
For work	67	185	47	101	112
For studies	14	11	9	10	8
Family immigration	39	34	26	25	18
Religious activities, humanitarian and voluntary	0	0	0	0	1
Other causes / reasons	51	26	4	5	3

Source: Data provided by the National Bureau of Statistics of the Republic of Moldova [7].

In the first years of independence, the standard of living in Moldova was higher than in Azerbaijan, but starting from 1998, the level of well-being in Azerbaijan has been increasing, and the gap between the well-being of the two countries has widened. During the financial crisis (2008), the Gross Domestic Product per capita in Azerbaijan was 3.3 times higher than in Moldova (Figure 2).

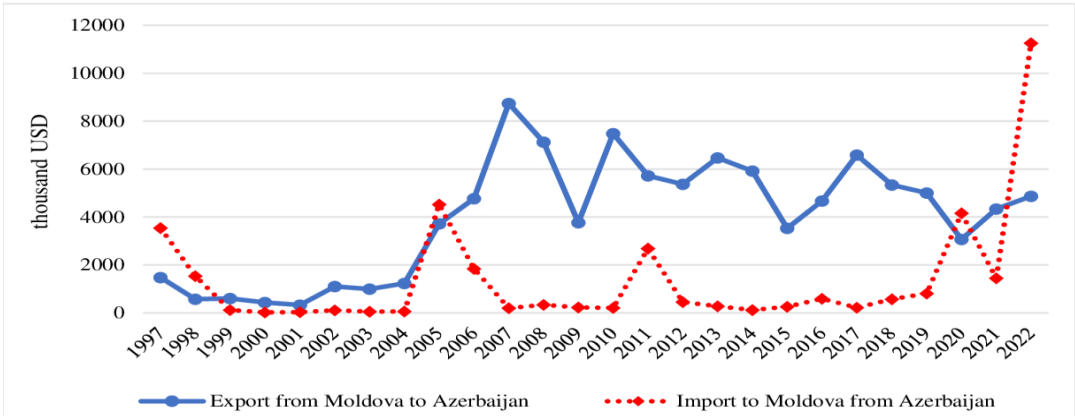


Source: Author processing based on data of the State Statistical Committee of the Republic of Azerbaijan [8] and National Bureau of Statistics of the Republic of Moldova [7].

Figure 2. Dynamics of Gross Domestic Product per capita, current prices

The COVID-19 pandemic affected the well-being of the population of both countries, yet in Azerbaijan, the decline was significantly higher (11%), and in Moldova was 1%. As a result, the GDP per capita in Moldova was higher by 2.5% than in Azerbaijan in 2020. But in 2022, a gap was again recorded. The level of well-being in Azerbaijan is 1.4 times higher than in Moldova. This gap will increase, and one of the reasons is the energy crisis. The impact of this crisis on Moldova is much higher since Azerbaijan has energy resources while Moldova does not.

Foreign trade turnover between our countries is growing year by year. The highest level was recorded in 2007 (8936.1 thousand USD) and 2022 (16118.2 thousand USD) (Figure 3).



Source: Author processing based on data of National Bureau of Statistics of the Republic of Moldova [7].

The Republic of Moldova exports medicines, pumps, machinery and mechanical appliances, food products, and plastic products to Azerbaijan (Table 2), and the Republic of Azerbaijan exports fuel, fertilizers, tobacco, food products, and tea to Moldova.

Table 2.

Export from Moldova to Azerbaijan by sections, according Combined Nomenclature of Goods, thousand USD

Sections	2018	2019	2020	2021	2022
I. Live animals	117	639	444	620	97
II. Vegetable products	589	247	76	478	805
IV. Prepared foodstuffs	747	1162	1434	928	1056
VI. Products of the chemical	1005	937	675	1090	1585
VII. Plastics and articles	118	94	85	72	112
X. Pulp of wood	2052	412	106	17	89
XIII. Articles of stone	100	156	97	73	136
XV. Base metals and articles	155	774	77	7	56
XVI. Machinery and mechanical appliances	353	519	75	1041	858
XVIII. Optical, photographic	37	20	2	0	68

Source: Data provided by the National Bureau of Statistics of the Republic of Moldova [7].

The structure of exports from Moldova to Azerbaijan is constantly changing. The main export product groups in 2018 were “Pulp of wood” (38,42%), “Products of the chemical” (18,81%), and “Prepared foodstuffs” (13,98%), in 2020: “Prepared foodstuffs” (46,69%), “Products of the chemical” (21,98%) and “Live animals” (14,45%), and in 2022 the first place were “Products of the chemical” (32,61%), followed by “Prepared foodstuffs” (21,71%) and “Machinery and mechanical appliances” (17,64%). In the year of the COVID-19 pandemic, export of “Machinery and mechanical appliances” fell by seven times, and in the next 2021, it increased by 14 times.

“Mineral products” account for the largest share in the structure of imports to Moldova from Azerbaijan in 2021, but “Products of the chemical” in 2020 and 2022 (Table 3). An analysis of the structure of exports and imports showed that in 2018-2021, exports from Moldova to Azerbaijan were more diversified than imports from Azerbaijan to Moldova. Import diversification increased in 2022. During the analyzed period, the following goods were imported for the first time:

- 1806 “Chocolate and other food preparations containing cocoa” (147.45 thousand USD);
- 1905 “Bread, pastry, cakes, biscuits and other bakers' wares” (247.58 thousand USD);
- 2713 “Petroleum coke, petroleum bitumen and other residues of petroleum oils” (2661.63 thousand USD);
- 3820 “Anti-freezing preparations and prepared de-icing fluids” (72.16 thousand USD);
- 7010 “Carboys, bottles, flasks, jars, pots, phials, ampoules and other containers, of glass” (62.51 thousand USD).

Table 3.

Import to Moldova from Azerbaijan by sections, according Combined Nomenclature of Goods, thousand USD

Sections	2018	2019	2020	2021	2022
II. Vegetable products	380	437	166	151	113
IV. Prepared foodstuffs	131	140	127	271	595
V. Mineral products	0	209	356	649	3825
VI. Products of the chemical	0	13	3387	333	6560
VII. Plastics and articles thereof	2	4	0	0	0
X. Pulp of wood	0	3	2	10	1
XIII. Articles of stone; glass and glassware	0	0	0	0	63
XV. Base metals and articles	61	0	15	29	80
XVIII. Optical, photographic	0	0	59	7	19

Source: Data provided by the National Bureau of Statistics of the Republic of Moldova [7].

The competitiveness of goods is one of the decisive factors in the restructuring of the national economy and the diversification of foreign trade [3, p.71]. The state must develop the branches that have registered a comparative advantage, that is, to reallocate the available resources from the sector considered with disadvantages to those with relative advantages. The symmetrical comparative advantage indices of section j on the foreign market ($IACSE_j$) can be used to analyze the competitiveness of domestic goods in the foreign market [4, p.136]:

$$IACSE_j = \left[\frac{(X_j)/(X_j + M_j)}{\sum_{j=1}^n (X_j) / \sum_{j=1}^n (X_j + M_j)} - 1 \right] \div \left[\frac{(X_j)/(X_j + M_j)}{\sum_{j=1}^n (X_j) / \sum_{j=1}^n (X_j + M_j)} + 1 \right] \quad (1)$$

where: X_i – export volume of section j ;

M_i – import volume of section j .

Based on the research results, we can conclude that it is necessary to develop not only the agri-food sector [1] but also the branches that produce goods that have a comparative advantage [9]: machinery and mechanical appliances, plastics and articles thereof, pulp of wood, miscellaneous manufactured articles, optical measuring, glass and glassware (Table 4). The development of these branches will increase the export potential of the Republic of Moldova and, as a result, reduce the deficit of the current account of the balance of payments.

Table 4.**The symmetrical comparative advantage index of section on the foreign market**

Sections	2018	2019	2020	2021	2022
I. Live animals	0.0511	0.0746	0.4038	0.1433	0.5365
II. Vegetable products	-0.1953	-0.4088	-0.1517	0.0073	0.4882
III. Prepared foodstuffs	-0.0295	0.0178	0.3676	0.0163	0.3589
IV. Mineral products	–	-0.9821	-1.0000	-1.0000	-1.0000
V. Products of the chemical	0.0511	0.0677	-0.4374	0.0109	-0.2156
VI. Plastics and articles thereof	0.0426	0.0541	0.4038	0.1433	0.5364
VII. Pulp of wood	0.0511	0.0706	0.3954	-0.0884	0.5320
VIII. Textiles and textile articles	0.0391	0.0572	-1.0000	-1.0000	-1.0000
IX. Articles of stone; glass and glassware	0.0511	0.0745	0.4038	0.1433	0.3891
X. Base metals and articles	-0.1152	0.0746	0.3285	-0.6019	0.1544
XI. Machinery and mechanical appliances	0.0511	0.0746	0.4038	0.1433	0.5365
XII. Optical, photographic	0.0511	0.0746	-0.8442	-1.0000	0.4451
XIII. Miscellaneous manufactured articles	0.0511	–	0.3965	–	0.5365

Source: Author's calculations.

For a complete analysis of the competitiveness of Moldovan goods on the Azerbaijani market, it is necessary to calculate the index of revealed symmetric comparative advantage on the foreign market of the group of goods/section i , country of origin A ($RSCAF_i^A$) [4]:

$$RSCAF_i^A = \frac{\frac{XMCR_i^A}{XMCR^A} - 1}{\frac{XMCR_i^A}{XMCR^A} + 1} \times 100\% \quad (2)$$

where: $XMCR_i^A$ – export/import coverage ratio of group of goods/section i , country of origin A ;

$XMCR^A$ – export/import coverage ratio of country A .

The following goods manufactured in Moldova registered the highest comparative advantage: plastics and articles thereof (99,98%), edible fruit and nuts (94,23%), miscellaneous edible preparations (92,36%), preparations of vegetables, fruit and nuts (84,35%), optical, measuring, checking, precision, medical or surgical instruments and apparatus (78,91%), glass and glassware (66,98%). The Republic of Azerbaijan exports the following competitive goods to the market of the Republic of Moldova: tea, fertilizers, cocoa preparations, sugar confectionery, tobacco and manufactured tobacco

substitutes, mineral fuels, mineral oils and products of their distillation, soap, organic surface active agents, washing preparations, printed books, newspapers, pictures, articles of apparel. Textiles and textile articles made in Moldova were competitive in 2018-2019, but ones made in Azerbaijan were competitive in 2020-2022 (Table 5).

Table 5.

The index of revealed symmetric comparative advantage on foreign market of section, %

Sections	2018	2019	2020	2021	2022
I. Vegetable products	-71.39	-83.28	-23.72	2.96	88.58
II. Prepared foodstuffs	-23.81	14.38	87.70	6.84	60.82
III. Mineral products	–	-99.75	-100.00	-100.00	-100.00
IV. Products of the chemical	–	84.02	-57.48	4.48	-28.25
V. Plastics and articles thereof	72.57	58.73	–	–	99.98
VI. Pulp of wood	–	90.48	97.05	-27.90	98.91
VII. Textiles and textile articles	63.11	63.84	-100.00	-100.00	-100.00
VIII. Articles of stone; glass and glassware	–	99.92	–	–	66.98
IX. Base metals and articles	-57.23	–	75.36	-85.78	23.69
X. Optical, photographic	–	–	-90.40	-100.00	78.91

Source: Author's calculations.

In addition to developing foreign economic relations, it is necessary to develop tourism activities between the Republic of Moldova and the Republic of Azerbaijan. First of all, it needs to organize direct flights between countries [2] [10]. Even though national cuisines have their characteristics, they still have similarities since some of the products used are identical. Both countries have a rich cultural history. There are many picturesque places.

Conclusion

There are one hundred and twenty-six Azerbaijani companies in Moldova. Moldova is interested in joint investment projects, the creation of joint ventures [11], participation of Azerbaijani partners in the work of Free Economic Zones and Industrial Parks. Moldovan companies are also interested in investing in the Azerbaijani economy.

The Republic of Moldova has made significant progress in information technology. Companies such as Endava and Inther Software Development have opened their branches in Moldova, where they recruit mainly Moldovan specialists. Thus, there are huge opportunities for Moldova-Azerbaijan cooperation in this area. Investments can be made through existing and new joint ventures, through the exchange of experience and participation in the development of such sectors of the economy as information technology, agriculture, including viticulture and wine production, the production of food and agricultural machinery, as well as woodworking, the production of furniture, and carpets.

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