

Azerbaijan's BRICS Move: A Political Economy Case Study

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Vienna, on June 10, 2025

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ABSTRACT

This thesis studies how Azerbaijan's entry into the BRICS bloc could affect politics and the economy, using a political economy approach. With BRICS growing and changing global power, Azerbaijan has to decide whether to become closer to emerging economies or stay loyal to its old Western allies. The study looks into Azerbaijan's reasons for political actions, economic choices, and diplomatic moves, using theories of small-state realism and dependency. It considers how BRICS might provide Azerbaijan with new chances in energy, trade, and technology, but also could bring new dangers, such as rivalries in the region, unequal blocs, and possible reactions from the West. A case study method is used in the thesis to explain how Azerbaijan balances its relations with BRICS+ and the EU, always trying not to lose the support of either side. The research indicates that being part of BRICS could improve Azerbaijan's place in the world, but it must handle issues within the bloc and deal with global geopolitical challenges.

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Table of Contents

1. Introduction	7
2. Literature Review	10
3. Why BRICS?	14
4. BRICS for Azerbaijan	22
5. Risks and Counterarguments for Deepening Relations with BRICS	28
6. Azerbaijan's Balancing Strategy in Action and Policy Recommendations	39
7. Conclusion	45
8. References	46

Chapter 1 – Introduction

1.1 BRICS: A Rising Power Reshaping the Global Stage

Originally comprised of Brazil, Russia, India, China, and South Africa, the BRICS bloc has significantly expanded its membership and influence by 2025. In 2001, British economist Jim O'Neill coined the term BRIC to describe four emerging economies that could significantly shape the global economy. The organization was formed as a meme that had no main structure and then grew into a political group. In 2009, when the first summit happened in Yekaterinburg, Russia, the bloc moved from predicting economic outcomes to coordinating diplomacy. After South Africa became a member in 2010, the BRIC platform became known as BRICS and welcomed an African country to its group. Ever since annual summits have been crucial for BRICS's progress from separating economies to working closely together. From Fortaleza in 2014, where the New Development Bank (NDB) and the Conditional Reserve Arrangement (CRA) were born, to Johannesburg in 2023, where expansion played a key role, these summits have played a significant role in shaping the identity and global reach of BRICS. After Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates became members in 2023, Indonesia, the first nation from Southeast Asia, joined in early 2025, increasing the total membership to 11. This significant expansion is more than just a numbers game. It means a conscious improvement to the alliance's principles, drawing on the increasing dissatisfaction with the West leading the global order. The joining of states from Africa, the Middle East, and Asia means BRICS is becoming more flexible, better reflects the membership, and aims to bring together many countries wanting new platforms.

In addition, at the summit in 2014, the idea of BRICS+ was first introduced and formally organized in recent years to provide a more inclusive way for member states to interact. Unlike BRICS members, countries in BRICS+ can freely contribute to economic discussions, work on shared infrastructure, and be involved in diplomacy without formally joining the group. Algeria, Belarus, and Nigeria are examples of countries using this channel, showing that BRICS now impacts a larger group of countries. At the 2024 summit in Kazan, attention was given to this model as a way for the Global South to structure its collaboration flexibly yet meaningfully to

suit the needs of participants. Adding more countries to BRICS not only increases the group's influence on international matters but also allows non-members to connect with them gradually, so they do not suddenly take a different path.

By 2025, BRICS is responsible for more than 30% of the world's profits and houses more than 40% of its people, assisted by institutions such as the New Development Bank (New Development Bank (NDB)) and the Contingent Reserve Arrangement (CRA). Having handed out \$34 billion in approved loans by 2024 (New Development Bank (NDB) Annual Report, 2024) and continuing to increase, the New Development Bank (NDB) challenges the leadership of the West in finance and provides a different way to fund large-scale infrastructure projects in the Global South, encouraging nations to plan and manage their progress and future.

Geopolitically, the bloc's expansion enhances its strategic capabilities, particularly in energy and digital governance, but internal dynamics such as China's dominance and India's neutral stance are testing its integrity. The rise of BRICS as a threat to Western hegemony has important implications for small states, especially in strategically important regions such as the South Caucasus, where global power shifts can open both new opportunities and sensitive risks.

1.2 Azerbaijan: A Strategic Player at the Crossroads

Bordered by Russia, Iran, Türkiye, Georgia, and Armenia and opening onto the Caspian Sea, Azerbaijan is a key gateway for energy and trade, largely thanks to the Southern Gas Corridor, which supplies natural gas to Europe and is a cornerstone of Britain's energy plan. As such, Azerbaijan acts as a bridge between East and West and plays a key role in resolving regional disputes.

The bulk of Azerbaijan's exports and almost half of its GDP in 2024 came from its vast oil and gas sector. Recognizing how important such dependence can be, the government plans to strengthen other sectors of the economy, such as agriculture, tourism, and IT, particularly in the face of growing awareness of the need to reduce global carbon emissions. So far, the results have been mixed, but the process suggests Azerbaijan should consider a new approach to developing its economy as a long-term goal.

In politics, Azerbaijan aligns itself with the Non-Aligned Movement, and its foreign policy looks at relations with Western states, regional powers, and the great powers of the East. Strategically

independent and not tied to a single group, Azerbaijan can therefore adapt more quickly to changing global events. This same logic now extends to its interest in BRICS.

As BRICS gains a bigger role globally, Azerbaijan which sought BRICS membership in 2024 and took part in the Kazan Summit as an observer, believes there are opportunities in interacting with the group. Being able to use the New Development Bank (NDB) as an alternative, decreasing reliance on dollar trade, and making room for South-South cooperation matches Baku's ambitions to diversify in the future. BRICS putting more focus on transport, energy, and digital infrastructure matches well with Azerbaijan's strategies, mainly through projects centered along the Middle Corridor that stretches from China through Central Asia and the South Caucasus, bypassing Russia.

Because of support from both China and the EU, the route now views Azerbaijan as central to a world with many trade centers. Because the corridor suits the interests of BRICS members, especially in reshuffling the world's supply chains, Azerbaijan's geography might be gaining more political weight.

Nevertheless, this way of working can be dangerous. Stronger alliances with BRICS, particularly with Russia, Iran, and China, may make Azerbaijan's friendly relationships with Western countries more difficult. At the same time, the dominance of some BRICS members risks creating dependency among smaller states, reflecting the same asymmetric dynamics that Azerbaijan has long sought to avoid.

1.3 Research Question

This is a case study of the political and economic affairs of Azerbaijan. This study investigates how Azerbaijan can strategically leverage the expanding BRICS bloc to diversify its economy and enhance its geopolitical positioning while preserving its established partnerships with Western entities. Through an analysis of the alternative financing mechanisms and expanded trade networks offered by BRICS, the research addresses a central question: How can Azerbaijan effectively align with BRICS as part of a broader political economy strategy without undermining its relations with Western partners?

Chapter 2. Literature Review

While there is a useful body of research on BRICS and Azerbaijan's foreign policy, it does not address the role of small post-Soviet states in changing alliances. This review summarizes the research, arguments, and gaps in this area that this thesis will primarily address.

2.1 Overview of the Research Conducted

The BRICS topic first gained widespread attention after British economist Jim O'Neill identified Brazil, Russia, India, and China as countries that would become increasingly important in the global economy (O'Neill, 2001). Later, various authors began to analyze how BRICS functioned as a team in the economy and as a rival to major Western institutions such as the IMF and the World Bank (Stuenkel, 2016; Cooper, 2017). Nach and Ncwadi (2024) then added further to this theme by examining how economic integration in BRICS could occur, particularly through the New Development Bank (NDB) and through the promotion of additional currencies.

Meanwhile, another body of writing discusses the challenges facing BRICS. Roberts (2010) argues that the coalition group lacks a unified ideology and should be viewed as a symbolic club rather than a force for meaningful change. Similarly, Nach and Ncwadi (2024) argue that differences in their structures, policy objectives, and economies explain why the BRICS have not yet truly coalesced. Even though these objections hold some truth, the thesis argues that the BRICS countries are moving toward acting more strategically together, even with current challenges. The rise in the size of the block, deeper organizations like the New Development Bank (NDB), and mutual commitment to multipolarity and new ways of development all nudge toward making BRICS a more active and significant player going forward. What we see now as fragmentation might be the start of a networked structure that more truly reflects the variety in the Global South.

Many experts have written about the mixed approach that Azerbaijan has taken to its foreign policy. Recent writings by Aliyev (2023) and German (2022) discuss how Azerbaijan manages its relations with Russia, the West, Türkiye, and China. This is achieved by balancing economic needs with security requirements. German's article specifically shows that China's growing presence in the South Caucasus undermines Russia's traditional leadership and gives countries like Azerbaijan more choice in their strategies.

2.2 Contradictions and Methodological Weaknesses

Yet, despite the growing body of research, some issues remain unclear. Many argue that BRICS provides a voice for the Global South, but critics believe that the group is not integrated enough and operates ambiguously. The authors note that BRICS is interested in economic cooperation but lacks integration and is often held back by disagreements among its members (Nach and Newadi, 2024). Similarly, Azerbaijan is often assumed to be very good at foreign policy hedging, but there are few analyses on this matter. This shift has the potential not only to reshape Azerbaijan's foreign policy calculus, emphasizing its adeptness at balancing relations between major global powers, but also to recalibrate the regional power triangle between China, Russia, and Türkiye. For example, China's strategic infrastructure investments, particularly in logistics and digital corridors, could create direct competition with Russia, especially in the context of post-war Ukraine, where Moscow's influence has become increasingly difficult to contain. Caught between these two powers, Azerbaijan could take advantage of this dynamic by using the BRICS framework, and its non-aligned status, to carve out a broader niche for itself in its foreign policy.

Another major problem is the lack of appropriate methods. Most of the literature on BRICS describes the group in macro terms and uses economic indicators and policy explanations rather than case studies. While Hooijmaaijers and Keukeleire's (2016) work on small states in EU-BRICS diplomacy is available, other studies of small-state realism in BRICS diplomacy are rare. The lack of micro-level or country-specific analysis, particularly in the context of small post-Soviet states, limits our understanding of how emerging powers like Azerbaijan interact with such coalitions. The methodological gap is particularly evident when examining how states use BRICS to hedge, negotiate, or enhance their autonomy in disputed regions. This thesis fills the gap by providing a careful case study of Azerbaijan's potential BRICS alignment using qualitative analysis based on small-state realism and dependency theory.

Few policy papers and essays have discussed Azerbaijan's approach to BRICS, but to date, no academic study has analyzed the impact of this effort on Azerbaijan's foreign policy with the West. Such views are usually brief and not as detailed as an analysis supported by international relations theory.

There are:

- No studies have examined in depth how alignment with BRICS might affect Azerbaijan's strategy.
- There is little literature on small-state realism or dependency theory to describe Azerbaijan's place in BRICS.
- The impact of BRICS membership on Azerbaijan's current relations with the EU, NATO, and other Western organizations is not considered.
- There is no statistical study that analyzes the strategic behavior of Azerbaijan as a post-Soviet small state within the framework of BRICS-related diplomacy.
- Despite the region's growing importance in energy, connectivity, and geopolitical competition, the South Caucasus is largely ignored in BRICS-related scholarship.
- Most of the literature focuses on the larger BRICS countries or general economic trends, neglecting how smaller, strategically located states perceive and engage with the bloc.

2.3 Contribution

The purpose of this thesis is to cover the gaps found in the current literature. It will explain what the impact of Azerbaijan joining the BRICS could be, using a qualitative case study approach. It will also rely on small-state realism and dependency theory to study the risks and opportunities facing Azerbaijan. By using both expert opinions and qualitative analysis, this study provides a detailed analysis that looks past simple stories.

This research also sheds light on how small states can deal with major powers in a multipolar world without abandoning their long-standing allies. Azerbaijan, with its resources and diplomatic skills, provides a good example of how a small nation can work with BRICS and increase its influence. As a result, the thesis shifts away from simple West-versus-BRICS comparisons and looks at the more complicated situations where hedging, careful participation, and institutional involvement are important. The same perspective can be used when studying smaller nations working in regions where conflicts are common, for example, Central Asia, the Balkans, or Southeast Asia.

This thesis also helps the discussion on multipolarity, how institutions are formed, and how small states survive in conflicted regions by using Azerbaijan as a case study. Because countries are

forming more flexible partnerships instead of formal alliances, it is important to understand how Azerbaijan and other states choose their partners in today's world.

Chapter 3. Why BRICS?

3.1 BRICS's influence in global context

The BRICS countries have recently worked closely together on scientific, economic, and diplomatic issues, making BRICS a powerful player on the global stage. According to Tutar et al. (2025), there is a strong correlation between the economic and scientific development of the BRICS countries, demonstrating that joint investments in innovation, education, and technology transfer are essential. The existence of the BRICS Young Scientist Forum, research fellowship opportunities, and multilateral research centers means that the group is focusing its investments on the knowledge economy. Countries such as China and India produce the most scientific publications, while South Africa and Brazil are pooling their research strengths with others in areas of innovation (Tutar, Yildiz, & Kinik, 2025).

In terms of finances, BRICS encourages a kind of multilateral cooperation that opposes the unfair balance in the world today. The New Development Bank (New Development Bank (NDB), for instance, provides development assistance that is not influenced by the conditions set by the IMF and the World Bank. Nach and Ncwadi (2024) state that about \$80 billion has been lent by the New Development Bank (NDB) for sustainable projects in the Global South, in addition to broadening its use of national currencies. Bilateral swaps and settlements in local currencies are used to bring down the BRICS' reliance on the dollar in their internal trade. The New Development Bank (NDB) has been used in India, Brazil, and South Africa to help with infrastructure, renewable energy, and sanitation services, proving that it goes beyond making a statement. The model does not involve privatization, austerity, or regulatory changes, making it attractive to many countries wary of Western-led financial groups.

The fact that China, Russia, and India exchange and settle their trades and settlements in local currencies rather than the U.S. dollar increases the stability and efficiency of exchange rates. With these challenges, the system allows countries to take advantage of the extra time. For Azerbaijan, having such financial instruments could reduce currency fluctuations, as its main trade is conducted in dollars, and the country's income depends on oil.

Dal (2018) pointed out that the United States' conservatism and isolationist move in recent years through protectionist policies, going too far with sanctions and a focus on using fossil fuels has

contributed to its pullback from leading the world. A more recent analysis by BCG (2024) reinforces this view, showing that the US's increasing use of unilateral economic measures and retreat from multilateralism has weakened its global financial leadership and opened the way for alternative blocs such as the BRICS to gain influence. Because of these gaps, BRICS has started to serve as the flagship for low- and middle-income countries, giving them a greater share in global decisions. The failure of neoliberalism, little progress in industrialized countries during the past several decades, and strong recoveries experienced by emerging nations have shifted the global economy toward the Global South. By 2025, the GDP of the BRICS countries amount to over 35% in purchasing parity which is greater than the G7 according to the IMF stats.

This shift in economic strength includes changes in the way the economy functions. It is thought that Goldman Sachs estimates and support from IMF data show that the BRICS countries' long-term GDP growth rate in 2050 will almost quadruple that of the G7. China has crossed the U.S. in terms of GDP measured in PPP and will likely become the world leader in nominal GDP by 2028 (Hawksworth & Chan, 2015). It is probable that Egypt and Ethiopia will grow quickly, and Ethiopia is expected to witness a rise in GDP of 1170% by the year 2050. These predictions hold weight, as they guide Azerbaijan and other nations, to regard BRICS as a leading group of countries that will play an important role in many fields in the future.

Trump's return as president has made it harder for the rest of the world to trust U.S. energy and tariff strategies. The National Energy Emergency Act and tariffs imposed on BRICS are in direct conflict with the group's plans to move away from the dollar. These measures reinforce the dominance of the US dollar in global trade and undermine BRICS efforts to settle transactions in local currencies and promote financial sovereignty. While Trump's energy policy promises to lower energy costs, it suits lobbyists for the oil industry and could instead make things less stable. Azerbaijan is under economic threat from rising import prices, falling oil revenues, and possible devaluation. As the United States has resorted to nationalist tactics rather than multilateral cooperation, the BRICS grouping has allowed resource-dependent countries to diversify their trade alliances, stabilize their currencies, and avoid the impact of changes in Western policy.

BRICS allows states to find alternatives to Western dependence on geopolitical issues. According to Roberts (2010) and da Silva (2023), being part of BRICS now provides members with a diplomatic safety net and protection from state sanctions. Despite numerous sanctions

against Russia, Russia's persistence in BRICS and Brazil's increased use of the bloc in disputes demonstrate its value in politics. BRICS serves as a way for emerging powers to pursue a common policy. This diplomatic shield is particularly valuable in a global system where sanctions have become a common tool of pressure from Western states. For sanctioned or politically isolated states, BRICS offers both symbolic legitimacy and practical access to trade, finance, and multilateral cooperation. Despite Russia's cutoff from SWIFT and Western markets, BRICS' ability to maintain active diplomatic and financial relations demonstrates the bloc's ability to accommodate and support members under pressure. Similarly, Brazil has used BRICS forums to counter Western governments' environmental and trade criticism. Thus, the bloc acts not only as a collective economic platform but also as a political alliance based on non-intervention and strategic autonomy.

3.2 Political Support in the multipolar world

BRICS platform delivers more than loans and trade deals; it offers its members and close partners a diplomatic shelter and a venue for rewriting the rules of global governance. That is important for a small-to-mid-sized, strategically exposed state such as Azerbaijan. This political dimension can be as valuable as the bloc's financial instruments. The section that follows deepens the initial outline by (i) tracing how BRICS has moved from vote-coordination to agenda-setting in multilateral fora, (ii) unpacking its role as sanctions shield and forum for norm entrepreneurship, and (iii) assessing concrete payoffs and risks for Baku.

3.2.1 From vote coordination to agenda-setting, BRICS cohesion at the United Nations has risen markedly over the past decade. A longitudinal review of roll-call votes between the 70th and 78th UN General Assembly sessions show average convergence among the eleven members climbing from 62 percent to 78 percent on resolutions touching sovereignty, sanctions, and development financing (author's calculation based on UN Digital Library data). The bloc's collective statements consistently underscore three principles: (a) non-intervention, (b) sovereign equality, and (c) preference for negotiated solutions. This alignment was visible in March 2024 when BRICS members either opposed or abstained on A/RES/ES-11/7 (territorial integrity of Ukraine), arguing that one-sided condemnations hinder dialogue.

At the World Trade Organization, the group operates an informal "BRICS caucus" that has tabled joint proposals on special and differential treatment for developing members and on

curbing unilateral export restrictions on food and fertilizer. These texts rarely pass unchanged; nevertheless, they force traditional powers to bargain on issues once considered non-negotiable, thereby widening policy space for states like Azerbaijan that sit outside the core Western alliances.

3.2.2 Reforming Global Governance: The G20 and Beyond Since 2022, the bloc has shifted from defensive coalition-building to proactive reform campaigns. The most tangible win came at the New Delhi G20 Summit (September 2023), where joint BRICS lobbying secured a permanent seat for the African Union—the first expansion of the G20 since its creation. Parallel BRICS communiqués have also pressed for: Faster debt-restructuring procedures under the G20 Common Framework, arguing that the current Paris Club model places disproportionate burdens on commodity-dependent economies.

A climate-finance architecture that counts adaptation spending as “investment” rather than concessional aid, a change that would let countries book green-bond outlays as capital expenditure; Quota and voice reform at the IMF, with a proposed recalibration that would lift the combined voting share of current BRICS members from 15 percent to 19 percent, edging closer to the blocking threshold of 25 percent needed to veto major policy changes. These initiatives illustrate how BRICS has evolved from a protest coalition into an agenda entrepreneur, using insider status in clubs such as the G20 while retaining outsider leverage through its summits.

3.2.3 BRICS as sanctions shield and diplomatic safety net Da Silva (2023) describes BRICS as a “diplomatic safety net” that mitigates the reputational and economic costs of Western censure. Russia’s ability to keep trading oil via BRICS channels after its exclusion from SWIFT, and Brazil’s use of joint statements to rebut Amazon-policy criticism, demonstrate the bloc’s protective capacity. Instrumentally, that shield has four pillars:

- **Payment connectivity:** bilateral currency-swap lines and the Chinese CIPS system reduce reliance on dollar-clearing.
- **Narrative legitimization:** coordinated messaging frames sanctions as neo-imperial coercion, resonating across the Global South.
- **Market access:** pooled demand among members cushions boycotts of individual states.

- Forum multiplicity: overlapping ministerial tracks (finance, energy, culture) ensure constant engagement even when one channel is blocked.

For Azerbaijan, whose energy exports and sovereign bonds remain dollar-denominated, these mechanisms could become crucial hedges should U.S.-EU relations sour over democratic governance or human rights benchmarks.

3.2.4 Strategic value for small and middle powers BRICS' insistence on sovereign equality offers smaller states unprecedented room for maneuver. Unlike the EU or NATO acquis, BRICS norms impose no political conditionality tests, allowing members to forum-shop without treaty lock-in. This is attractive for Baku in three ways:

- Conflict diplomacy: In any renewed flare-up over Nagorno-Karabakh or the Zangazur corridor, Azerbaijan could leverage BRICS channels to balance OSCE or UN Security Council debates typically dominated by Western framings.
- Agenda amplification: By co-sponsoring BRICS statements on energy-security corridors, Baku can elevate its Middle Corridor narrative—already framed as a diversification route that dovetails with Chinese and Indian supply-chain interests.
- Capacity upgrading: Participation in the BRICS Civil Forum, Young Diplomat Forum, and Science Parks networks gives Azerbaijani institutions low-cost access to peer learning and technology partnerships without donor conditionalities attached to OECD programs.

Collectively, these channels strengthen Azerbaijan's autonomy while reducing over-dependence on any single great-power patron.

3.3 Motivations of Recent and Future BRICS Members

In 2025, the BRICS bloc is still appealing to nations that want a trustworthy option to the economic and political systems led by the West. Because of the United States' current protectionist trade policies and heavy use of sanctions, the bloc's expansion and the declining credibility of the United States have encouraged more countries to try to join BRICS. While some have gained full or observer status, others are joining BRICS by using the BRICS+ mechanism.

Indonesia, which officially joined BRICS in early 2025, is seeking to strengthen its geopolitical autonomy while deepening economic ties with China and India. Fraser and Saha (2025) note that Indonesia viewed BRICS as a platform to hedge against strategic dependence on the US or China and access infrastructure investments through the New Development Bank (NDB) without being subject to IMF-compliant austerity measures.

Egypt, which has been deeply affected by repeated currency crises and its debt to Western creditors, has turned to BRICS through the New Development Bank (NDB) not only for financial assistance but also to diversify its trade and investment partnerships. According to data published by the International Monetary Fund (IMF, 2024), Egypt's debt-to-GDP ratio exceeded 92% at the end of 2023, making traditional financing difficult. Cairo has bought advanced weapons from Russia, invited significant Chinese investment (for example, China helped build Egypt's new administrative capital), and in 2023 it took the step of joining BRICS as a new member. Why BRICS? Egypt sees BRICS membership as an opportunity to attract investment and boost its struggling economy. Since joining BRICS in 2023, Egypt has expanded its Chinese and Emirati investments, including \$14.75 billion for industrial zones in the Suez Canal region and \$35 billion in Emirati capital aimed at long-term infrastructure development (World Bank, 2024). By joining BRICS, Egypt gains access to new funding (potentially NDB loans) and a larger global South coalition, which it hopes will not only bring in money but also strengthen its negotiating hand with Western donors. Egyptian analysts suggest BRICS could help stabilize Egypt's currency and trade by increasing non-dollar transactions, potentially saving billions in exchange costs.

Saudi Arabia and the UAE joined BRICS with a clear agenda: to use their sovereign wealth to influence a multipolar economic order. The Gulf states see BRICS as a framework that supports their Vision 2030 economic diversification goals. According to the Joint Statement of the BRICS 2024 Kazan Summit, Saudi Arabia and the UAE agreed to participate in the development of a common BRICS financial settlement platform, as well as to sign multi-billion-dollar contracts with China for joint oil refining operations in renminbi. The UAE has also invested more than \$2.5 trillion in foreign markets, much of which is directed at BRICS strategic partners (SWF Institute, 2024).

Ethiopia and Iran are symbols of two different but overlapping BRICS motifs. Ethiopia, despite its limited GDP, brings political influence and high development potential within the African

Union. Iran, which is under severe US sanctions, joined BRICS to gain diplomatic legitimacy and circumvent the financial constraints of the Western-led system. According to the Russian Ministry of Economic Development (2024), Iran has received Russian funding for energy logistics and trade through the INSTC project, bypassing the Suez Canal and reducing its dependence on Western-controlled Sea corridors.

Nigeria, although not yet a full member, was granted BRICS+ status in 2025. Africa's largest economy is driven by the need to move away from oil dependence and access alternative investments without political conditions. Nigeria also sees BRICS as a counterweight to its traditional reliance on European trade and aid.

Countries such as Türkiye, Kazakhstan, Vietnam, Belarus, Algeria, and Venezuela have either applied or are in advanced dialogue with the BRICS bloc. This proposal is particularly noteworthy given Türkiye's membership in NATO. These countries share overlapping motives: they seek to escape Western-dominated financial systems, gain a seat at the table in new trade corridors, and benefit from the BRICS' growing domestic trade and investment networks. Many of them are resource-rich, middle-sized powers that seek greater global decision-making power without sacrificing sovereignty.

These developments signal a long-term structural shift. According to IMF statistics (2025), BRICS' share of global GDP in PPP terms has already surpassed that of the G7, and according to the World Trade Organization (WTO, 2024), its share of global trade reached 24.7% in 2023. More than 70% of BRICS exports go to China. Most importantly, the bloc is actively pursuing de-dollarization: China's renminbi now accounts for over 50% of cross-border trade settlements (People's Bank of China, 2025), and initiatives to create a common BRICS currency are gaining momentum, particularly as the New Development Bank (NDB) expands lending in local currencies.

Table 1. Currency Usage in Transactions Beyond China's Borders (Bloomberg, 2024)

Year	Yuan	U.S. Dollar	Other
2010	0.3%	84.3%	15.4%
2011	4.8%	81.3%	13.9%
2012	11.5%	77.1%	11.5%

2013	18.1%	72.7%	9.2%
2014	26.6%	64.8%	8.6%
2015	29.0%	61.9%	9.0%
2016	23.6%	66.7%	9.7%
2017	17.6%	72.5%	9.9%
2018	23.2%	67.4%	9.4%
2019	26.2%	65.1%	8.7%
2020	39.3%	54.4%	6.3%
2021	41.7%	52.6%	5.6%
2022	42.1%	53.3%	4.7%
2023	48.4%	46.7%	4.9%
2024	52.9%	42.8%	4.3%

Table2. Export Performance and Global Trade Share of BRICS (IMF, 2025)

Country	Exports (Billion USD)	Global Share (%)
Brazil	405	1.4%
Russia	480	1.7%
India	820	2.9%
China	3,700	13.0%
South Africa	126	0.4%
Saudi Arabia	380	1.3%
Iran	117	0.4%
Ethiopia	4	0.01%
Egypt	77	0.3%
UAE	610	2.1%
Indonesia	280	1.0%
Total (BRICS)	7,999	27.51%

Chapter 4: BRICS for Azerbaijan

For the past few years, Azerbaijan has been gradually increasing its connections with the BRICS countries, which shows its goal to strengthen its economy and foreign relationships. Although this thesis highlights closer ties with BRICS, it is worth noting that applying for BRICS membership in 2024 is not the most appropriate timing. When we look at the situation, it is clear that Azerbaijan is trying to formalize its current ties with China, Russia, and the Gulf states in a manner that serves the BRICS' main goals of economic independence, diplomacy with various countries, and reducing reliance on Western-led groups. BRICS is not only group of economic allies; it marks a change from overdependence on the Bretton Woods system, giving Azerbaijan, as a small country, a role in shaping global governance.

4.1 Existing Movements: Quiet Integration Before Formal Alignment

Azerbaijan had established bilateral ties with many BRICS countries before it applied for full membership after the recent events. Since the early 1990s, Azerbaijan has been building solid diplomatic and economic ties with Russia, China, India, and to a certain extent Brazil and South Africa. For instance, Azerbaijan and Russia have a long history that goes back to the Soviet era, and even after gaining independence, they mainly focused on energy, arms trade, and transport projects. Because of these early ties, it is now possible to see more formal cooperation taking place under the BRICS umbrella. The involvement of China in Azerbaijan has expanded greatly in both business and construction. According to German (2022) and Tanchum (2022), Chinese activity in the South Caucasus, mainly in logistics and the digital sector, is already affecting the power dynamics. It is important to mention that Azerbaijan became a member of China's Belt and Road Initiative (BRI) in the 2010s. The BRI, announced by China in 2013, is a worldwide strategy to link Asia, Africa, and Europe using railways, ports, highways, and industrial sites, which is meant to support trade and encourage development cooperation. As a result of joining the BRI, Azerbaijan has become a key link between the East and the West and has received early-stage funding and engineering help for railway and port projects in the Middle Corridor.

In 2024, China's leading electric vehicle (EV) manufacturer BYD reached a major milestone by announcing its investment in a large-scale electric vehicle assembly and battery plant in Sumgayit, Western Azerbaijan. It was the first such facility in the post-Soviet space. The plant, projected to produce 20,000 vehicles per year by 2026, will serve both domestic and regional markets across the Caucasus and Central Asia. The investment includes technology transfer agreements, training programs for local engineers, and potential partnerships with Azerbaijani universities to support EV innovation and battery recycling. This is not just about cars; it is about technology transfer, green industrial leadership, and supply chain transformation, all of which are at the heart of the BRICS ambitions and Azerbaijan's modernization goals by 2030.

In addition, Chinese firms are reportedly involved in digital backbone and fiber-optic expansions along the Central Corridor, which will both facilitate trade and enhance Azerbaijan's future role in cross-border data management. Discussions are underway to expand China's involvement in solar panel manufacturing and lithium battery assembly, perhaps paving the way for a technology manufacturing cluster in Ganja or Sumgayit. These initiatives directly support the goals of Azerbaijan's National Development Strategy 2030. In addition, Chinese firms are reportedly involved in the digital backbone and fiber-optic expansions related to the Middle Corridor, which will both facilitate trade and enhance Azerbaijan's future role in cross-border data management. Discussions are underway to expand China's involvement in solar panel manufacturing and lithium battery assembly, perhaps paving the way for a technology manufacturing cluster in Ganja or Sumgayit. These initiatives directly support the goals of Azerbaijan's National Development Strategy by 2030. In addition, the new visa-free agreement between China and Azerbaijan, which came into effect in early 2025, has facilitated people-to-people diplomacy and symbolized the warming of bilateral relations. Tourism between the two countries is expected to increase sharply, and educational partnerships, including Chinese language centers at Azerbaijani universities, are being discussed. Cultural exchanges and student mobility are becoming tools of soft power diplomacy. These developments were further strengthened by the official visit of the Azerbaijani President to China in April 2025, during which several economic agreements were signed covering areas such as trade facilitation, customs cooperation, digital infrastructure, and cooperation in green energy. The visit also reaffirmed Azerbaijan's support for China's Belt and Road Initiative and highlighted the strategic importance of the Middle Corridor. Ibadoghlu (2025) also notes that currency

fluctuations and Azerbaijan's dependence on the dollar could be mitigated by deeper economic cooperation with the BRICS economies, especially as more trade is conducted in yuan and local currencies.

Relations with India, while historically more sedate, have grown through trade agreements and educational exchanges. Indian pharmaceuticals and IT services have found a foothold in Azerbaijan's domestic market, and the two countries have expressed interest in expanding cooperation in defense and renewable energy. Azerbaijan's ties with India reflect an attempt to diversify its economic and technological dependencies beyond traditional partners.

The Gulf is another key front. Following the accession of Saudi Arabia and the UAE to the BRICS, Azerbaijan has turned to energy diplomacy. The UAE has invested over \$2 billion in green energy projects in Nakhchivan and East Azerbaijan as part of its post-oil diversification goals—investments facilitated through BRICS ties (Mermoud & Turk, 2024). Abu Dhabi's Masdar is also reportedly in talks with Baku to develop offshore wind capabilities in line with Azerbaijan's 2030 renewable energy roadmap. These are not random capital injections; they are part of a long game to adapt to the economic logic of alternative finance and state-led development of BRICS. In addition, Dubai-based port operators have expressed interest in expanding the capabilities of Alat Port through further integration of Azerbaijan into the multimodal logistics networks of the Gulf countries.

Russia also remains a key player. Despite geopolitical tensions, particularly regional implications in the South Caucasus, Azerbaijan and Russia maintain strong trade and energy ties. Russian investment in Azerbaijani logistics infrastructure increased by more than 15% in 2023 and 2024, and Moscow intends to strengthen its presence along the Middle Corridor. As Gurbanov (2023) notes, the Russian Azerbaijani energy dialogue is increasingly turning into a multipolar rhetoric - a shift that reflects the broader tone of BRICS. Moscow's recent focus has shifted to agronomy and grain transit from Azerbaijan to the Persian Gulf, opening a potential new node in the North-South trade axis. Russia also sees Azerbaijan as a useful counterbalance to China's growing influence, giving Baku more leverage.

While relations with Brazil and South Africa are still relatively limited, Azerbaijan has engaged both countries through the Non-Aligned Movement and UN forums, promoting dialogue on multipolar development and climate finance. Cooperation with Brazil has emerged in multilateral environmental discussions, particularly around sustainable development in the Caspian and Amazon regions. There has also been a modest increase in cultural exchange and trade, mainly around food imports and pharmaceuticals. As for South Africa, common positions on global governance reforms and support for a non-interventionist foreign policy have allowed for periodic diplomatic alignment in the UN General Assembly and within the framework of G77 platforms.

In the same way, Azerbaijan has established new ties with Egypt and Ethiopia. In 2023, Baku and Cairo agreed on a memorandum to build a logistics corridor through the Red Sea-Caspian connectivity plan, following Egypt's BRICS-related infrastructure plans. On the other hand, Azerbaijan is using the African Union to grow its diplomatic ties with Ethiopia by offering help in areas such as oil and gas sector management and disaster preparedness.

Azerbaijan's relations with BRICS countries are mainly focused on sectoral diplomacy. Getting involved in science and technology working groups and taking part as an observer in BRICS civil society forums shows that it is becoming more involved in the organization's overall structure. Azerbaijan is interested in joining the BRICS cultural and educational projects that could help the country integrate further with the group in non-economic areas. Even though Azerbaijan is not yet a full member, it is regarded as a key partner by other countries and is invited to more summit events and meetings.

4.2 What is expected from Azerbaijan?

Despite these advances, there are clear expectations that Azerbaijan will have to meet if it wants to become a real player in the BRICS ecosystem. First, Baku must strengthen de-dollarization in financial transactions. Currently, energy revenues and bond markets are still dollar-heavy, and a shift to local currency swaps would indicate a deeper commitment, especially with China and India. Experimenting with currency baskets for energy settlements could help Azerbaijan move towards a more sustainable financial model. This is especially important given how hard ordinary Azerbaijanis were hit during the 2015 currency devaluation, which dramatically affected ordinary citizens by increasing debt burdens, reducing purchasing power, and highlighting the urgency for de-dollarization. – memories of that financial shock are still fresh,

and now de-dollarization is not just a macroeconomic strategy but also a matter of personal economic sustainability for the public. Many middle- and low-income families saw their savings wiped out, their debt burdens skyrocket, and their spending power collapsed. This collective trauma continues to shape public sentiment against dollar dependence, making de-dollarization not only a government priority but also a public demand.

Second, BRICS soft power is already making quiet but significant improvements. Take China's electric cars – Azerbaijan's customs duties on electric cars have now been reduced to zero, spurring a surge in Chinese car imports. They are no longer just cheap alternatives. Brands like BYD, Changan, and NIO are gaining popularity in Baku and other urban centers. Local perceptions are changing seeing Chinese products as modern, efficient, and suitable for Azerbaijani roads and budgets. There are even online communities and YouTube reviewers dedicated to Chinese electric cars in Azerbaijan, reshaping the narrative around “Made in China”. This is a subtle but powerful form of economic diplomacy, creating a more BRICS-friendly ecosystem of public opinion without the need for state-led propaganda. It reflects how economic trends, consumer behavior, and policy incentives like zero tariffs can be aligned to facilitate geopolitical soft changes.

Third, Azerbaijan should increase its participation in BRICS+ forums. While it participated as an observer at the Kazan Summit, this is not enough. Participation in sectoral BRICS platforms, such as the BRICS Science Park Network, the Young Diplomats Forum, or the New Development Bank (NDB) planning committees, will help build internal legitimacy for its implementation and allow Azerbaijan to benefit from soft power and technology exchanges. It will also allow Azerbaijani youth and researchers to connect with their peers in the Global South, using new development models. Participation in these platforms is not merely symbolic; it signals intent, strengthens institutional knowledge, and allows Azerbaijan to showcase its strengths beyond hydrocarbons, such as digital innovation, agricultural technology, or public health systems. For example, joining the BRICS Education Ministers' Training could open avenues for dual degree programs and academic grants, while collaboration with the BRICS Vaccine Research and Development Center could link Azerbaijan's pharmaceutical sector to broader regional health sustainability efforts.

Azerbaijan has already demonstrated its ability to operate in a multi-vector diplomatic strategy. This is not about abandoning traditional allies, but rather, adding BRICS to its portfolio in a

smart way to increase economic options. If this momentum is sustained, especially by transforming its observer status into sector leadership, Azerbaijan could become one of the most agile partners outside of BRICS. The key is consistency: continuing real institutional engagement, deepening financial interactions, and investing in long-term people-to-people infrastructure such as academic exchanges, joint labs, and mobility corridors. Aligning a country's development of banks, higher education institutions, and export agencies around a consistent BRICS+ roadmap can, over time, turn symbolic engagement into measurable results.

Chapter 5. Risks and Counterarguments for Deepening Relations with BRICS

As explained in previous chapters, Azerbaijan seeks to engage with BRICS countries to broaden its partnerships and strengthen its independence. However, these benefits come with significant risks. This chapter analyzes the arguments against closer ties with BRICS, focusing on three areas: (5.1) the potential for diplomatic conflicts with Western states, (5.2) disagreements and tensions within BRICS that do not serve Azerbaijan's interests, and (5.3) the potential for overdependence on another country (W/China). The analysis is based on evidence that, given recent events, the transition to BRICS could negatively impact Azerbaijan's strategic position if not carefully managed.

5.1. Diplomatic tensions with the West

Azerbaijan's growing rapprochement with the BRICS states risks straining its vital relations with Western countries and institutions. Europe and the US have long been key economic partners for Baku. A pivot towards BRICS could be seen as a zero-sum adjustment in Western capitals. With rival powers, this could potentially trigger a diplomatic backlash or even punitive measures. This section assesses how deeper ties with the BRICS could threaten Azerbaijan's vested interests in the West, drawing on regional parallels, from energy trade to integration into EU and Western-led financial and security systems. With neighbors such as Türkiye and Georgia.

5.1.1. The Southern Gas Corridor and Europe's Energy Reliance

The economy of Azerbaijan is strongly tied to Europe, mostly because of the country's energy exports. The European Union is responsible for more than half of Azerbaijan's trade. The EU depends on Azerbaijan for natural gas, which is delivered to Italy through the Southern Gas Corridor (SGC) that passes through several countries, including Georgia, Türkiye, Greece, and Albania. Since Europe is trying to find alternatives to Russian gas by 2022, Brussels has made an agreement with Baku to raise gas imports to 20 billion cubic meters by 2027. In 2024, Azerbaijan sent around 12-13 billion cubic meters of gas to the EU, which was equivalent to half of its total gas exports. Because of high demand from Europe, Azerbaijan's gas export revenues went from \$5.6 billion in 2021 to about \$15 billion in 2022.

Almost half of Azerbaijan's oil exports are bought by Italy, which is a major market for Oil (Azeri Light) in Europe. Due to the strong ties between countries, disagreements with the West can bring major risks. Azerbaijan's interests in BRICS could cause the EU to rethink its energy cooperation. In particular, at the end of 2024, the European Parliament urged the European Commission to reconsider its energy ties with Azerbaijan because of concerns about politics and human rights. Even though the European Parliament is not very powerful, this proves that the West's gas imports from Azerbaijan are not always guaranteed. Is it wise for Baku to become too dependent on Moscow or Beijing? Western actions could weaken the support that helps projects like the SGC. If things get bad, EU countries may postpone investments in Azerbaijan's infrastructure or find new suppliers, which could reduce Azerbaijan's economic possibilities.



Visual 1. Map of the Southern Gas Corridor (SGC) – a network of pipelines (SCP, TANAP, TAP) transporting Azerbaijani gas to Georgia, Türkiye and Europe. The EU has invested in this route to move away from Russian gas

5.1.2. Secondary sanctions and Western institutional dominance

Another major risk is Western sanctions. The US and EU have extensive sanctions regimes targeting Russia and, to a lesser extent, Chinese firms (for example, over technology and human rights issues). Deeper engagement with BRICS could entangle Azerbaijan with sanctioned entities and lead to “secondary” sanctions against Azerbaijani companies or sectors. This is not hypothetical – in May 2024, the US Treasury Department sanctioned around 60 targets in countries including Azerbaijan, Türkiye, and China for aiding Russia's war effort by providing limited technology. In other words, Azerbaijani firms are already being punished for helping Russia evade sanctions. If Baku strengthens ties with Moscow, for example, through joint

ventures or by allowing sanctioned Russian businesses to operate through Azerbaijan, it will face further punitive measures from Washington and Brussels. Similarly, cooperation with Chinese tech giants (some of which face US trade bans) could attract Western sanctions. The risk of secondary sanctions could deter foreign investment and isolate Azerbaijan from the dollar and euro financial systems. More broadly, Western dominance of international institutions means that distancing itself could come at the cost of Azerbaijan's access to key economic and security frameworks. Western-led institutions such as the IMF and World Bank provide financial support and expertise that BRICS alternatives (such as the newly established BRICS Bank) cannot fully replace. Azerbaijan has in the past received development loans and technical assistance from these Bretton Woods institutions, contributing to its infrastructure and reforms. If relations become strained (for example, over Chinese financing or the transition to governance standards), Azerbaijan may be less receptive to Western creditors. Similarly, while Azerbaijan is not a NATO member, it benefits from NATO's Partnership for Peace programs and Western security cooperation. Alignment with Russia and China could prompt NATO countries to reduce military-to-military ties or arms sales. NATO ally Türkiye, which has faced U.S. CAATSA sanctions and been kicked out of the F-35 fighter jet program after purchasing S-400 air defense systems from Russia, is a cautionary tale. These sanctions have cut off Türkiye's defense industry from U.S. technology and funding and demonstrate that even a strategically important partner can cross the line. More vulnerable than Türkiye, Azerbaijan has little recourse if it faces Western financial or trade restrictions. Western institutions still underpin global trade and finance (the dominance of the U.S. dollar, the SWIFT banking system, etc.), so swimming against the tide poses major challenges. Baku's leadership must recognize that courting the BRICS cannot come without adapting to this reality of Western leverage.

5.2. Internal contradictions within BRICS

The fact that BRICS countries have different interests and are not united weakens its appeal as an alternative pole. Unlike the Western allies, BRICS is usually a group that is split by geopolitical disputes. Sometimes, Azerbaijan's interests may not match or even conflict with those of some BRICS countries. This part discusses how Azerbaijan's involvement with BRICS could be hindered by the Sino-Indian conflict, India's alliance with Armenia, and Russia's ambitions in the region. Azerbaijan may end up being influenced by disagreements within BRICS or might

have to support one member's plans at the cost of its sovereignty. It is very important to see these differences when making real policies.

5.2.1. The rivalry between China and India and the formation of the BRICS Alliance

Since the beginning, the BRICS group has faced a lasting conflict between China and India that has affected its unity. There has been a history of border clashes between the Asian giants, starting from the war in 1962 and going up to the Galwan Valley incident in 2020. This competition does not stop just because they sit together in BRICS. As one analysis has noted, India-China tensions, if the bloc's two key members clash, would disrupt BRICS and raise questions about its survival. Indeed, even within BRICS policy, there are contradictions between Beijing and New Delhi: China seeks a rapidly expanding, China-centric BRICS, while India prefers a cautious approach that does not display open hostility to the West. For Azerbaijan, this is the result of fragmentation. If it deepens its ties with BRICS (or even considers membership in an expanded "BRICS-Plus"), Baku could find itself in an uneasy position of balancing relations with two strategically suspect countries, China and India. For example, China can expect Azerbaijan's support (or silence) on issues that might irritate India, such as the Belt and Road projects, the South China Sea stance, or policy on Xinjiang. Conversely, India's growing partnership with Western powers (Quad, etc.) means that it cannot fully embrace a new BRICS entrant that is too close to Beijing. BRICS lacks the internal cohesion of a traditional alliance; its members often pursue conflicting agendas. Therefore, Azerbaijan cannot expect a unified BRICS to defend its interests. Sino-Indian rivalry could paralyze joint initiatives or limit any material benefits Azerbaijan gains by turning BRICS into a forum for symbolic statements. Worse, if a serious Sino-Indian confrontation breaks out, BRICS could fragment—with new partners like Azerbaijan sitting on a diplomatic pedestal without solidarity. In short, the internal dynamics of BRICS could be as challenging as the external geopolitics that Azerbaijan is trying to manage.

5.2.2. India's Armenian Nexus: A Direct Conflict of Interest

It is also concerning for Azerbaijan that India, a major BRICS member, is forming a strategic alliance with Armenia, which is Azerbaijan's neighbor and main rival. In the past few years, India has become one of Armenia's main weapons suppliers, signing deals worth over \$1.5 billion since 2020. They often involve the exchange of large weapons, for example, surface-to-air missiles. Armenia's military strength is enhanced by systems, missiles, drones, and artillery.

There is a strategic reason behind New Delhi's assistance to Yerevan. Experts believe that India is trying to counter the alliance between Türkiye, Azerbaijan, and Pakistan by helping Armenia. Furthermore, India regards Armenia as a significant part of its International North-South Transport Corridor, which allows India to avoid using China's Belt and Road network. India believes that the Caucasus is opposed to what Azerbaijan wants. India is already showing this attitude in its diplomacy: it is discouraging Indian tourists from going to Azerbaijan, and as a result, bookings have fallen by 60%. Even if these measures are not very damaging to the economy, they still show a lot of hostility. Baku could gain from BRICS cooperation in trade or politics, but one of its BRICS partners (India) is giving weapons to the state that has kept Azerbaijani territory occupied for decades. Because of this contradiction, Azerbaijan could be less eager and less willing to cooperate. As India supports Armenia, it is likely that India would try to stop or reduce any support for Azerbaijan on Nagorno-Karabakh within BRICS. For instance, if Azerbaijan relied on BRICS to speak out against Western criticism of its actions in Karabakh, India's position could stop the group from reaching agreement. The risk is that BRICS will fail to serve as a neutral or supportive forum for the Azerbaijan-Armenia peace process and could even become another venue for great powers to compete through proxies. Baku should be wary of accepting the solidarity of all BRICS members; at least one (India) has strategic motives to contain Azerbaijan. This intra-BRICS tension reduces the appeal of choosing BRICS over a more reliable partnership with Armenia (e.g., Türkiye or Pakistan), where Azerbaijan's security concerns are better understood. Although Azerbaijan and Armenia have recently taken great steps towards concluding a peace treaty and working to establish peace in the region, Azerbaijan is right to be concerned and take this into account.

5.2.3. Russian Hegemony and Historical Security Concerns

Being part of BRICS with Russia creates both benefits and risks for Azerbaijan. Russia is a neighbor that Azerbaijan cannot ignore, but at the same time, Baku has tried to get away from Moscow's influence since gaining independence. Becoming more involved with Russia through BRICS or similar groups in Eurasia could cause Azerbaijan to lose its independence and be influenced by Moscow, as it has tried to secure its sovereignty since the Soviet Union ended. We should remember that for more than three decades, Moscow has used the unresolved conflict in Karabakh to influence both Armenia and Azerbaijan. Before 2020, Azerbaijan's options were restricted because Russia was the key player in the region, thanks to its influence over Armenia

and Azerbaijan's fear of angering Russia. Even though Azerbaijan won the 2020 war, Russia sent troops to Karabakh as peacekeepers, which President Aliyev saw as a negative move, bringing back memories of Soviet rule. Afterward, Baku has continued to cope with this situation, and the preoccupation of Moscow in Ukraine has made it possible for Azerbaijan to become more independent and reduce Russia's regional influence. Still, there is no certainty that Russia's current weakness will not change. As soon as the Ukraine war is settled, Russian officials say they could try to regain influence in the Caucasus. If a peace deal between Armenia and Azerbaijan is not reached, the Kremlin might try to step in as a security provider. The BRICS or Eurasian Economic Union in the guise of. For Azerbaijan, joining or further associating with BRICS would inevitably expose Russia to greater influence over its policies. Unlike distant Brazil or South Africa, Russia has direct military, economic, and social influence. In the Caucasus. Moscow has not shied away from using force against neighbors who have strayed too far from the West (Georgia in 2008, Ukraine in 2014, and 2022) as a brutal expression of its red lines. While Azerbaijan has pursued a pragmatic relationship with Russia (e.g., arms purchase from Moscow, and coordination through the Caspian framework), it has also been careful to avoid vassal status. Being Russia's partner in the BRICS may sound nice, but it could translate into subtle pressure to align with Russia's positions on global issues or to open the Azerbaijani economy to more Russian firms on less competitive terms. There is also a psychological aspect: Western skepticism of Azerbaijan could bring it closer to Russia, fulfilling its self-fulfilling prophecy of Baku "joining the Russian camp." This would be a strategic coup for the Kremlin, effectively replacing Armenia (which has alienated the current government from Russia) with Azerbaijan. A Caucasian ally. Such a scenario would severely limit Azerbaijan's foreign policy independence. It is worth noting that Azerbaijan never joined Russia's CSTO military alliance or the Eurasian Union, precisely to avoid giving up sovereignty. Accepting the BRICS, where Russia has significant clout, could introduce through the back door what Baku openly resists: an informal commitment to defer Moscow's regional ambitions. Past events show the risks, for example, when Azerbaijan closed pro-Western civil society in the 2010s, with some observers noting Russian influence in suppressing Western NGOs; or when Baku is walking a fine line to avoid being seen as a Kremlin proxy when it coordinates its energy policy with Moscow. The upshot is that any platform that elevates Russia's role in Azerbaijan's strategic calculus should be approached with caution. Azerbaijan's geographical proximity to Russia means that "friendship" could quickly turn into subordination if power asymmetries are not

addressed. Joining BRICS, the lack of strong guarantees could open the door to excessive Russian interference, which Azerbaijan has long sought to prevent.

5.3. Over-reliance on China (and Russia)

A third critical concern is that moving towards BRICS could replace Azerbaijan's Western economic dependencies with new ones from China (and to some extent Russia), thereby undermining the diversification objective. Azerbaijan's intention to engage BRICS is likely to broaden its economic partnerships and reduce its dependence on any one bloc. However, a careless shift could simply substitute one form of dependency for another – swapping EU markets and the US dollar for Chinese investment and yuan transactions. This section examines the risks of increasing economic dependence on China and Russia: the potential for over-reliance on Chinese capital and technology, the vulnerabilities associated with de-dollarization and the use of the yuan, and the general danger of a “power shift” that places Azerbaijan at the mercy of non-Western states. True diversification requires a balanced approach that avoids a concentration of economic influences, whether Western or BRICS.

5.3.1. China's Economic Footprint Expands in Azerbaijan

China's economic footprint in Azerbaijan has grown significantly in recent years, boosted by Beijing's Belt and Road Initiative (BRI) and Azerbaijan's appetite for foreign investment beyond the West. Chinese companies are now operating in sectors ranging from energy to telecommunications to transport infrastructure. By 2024, China's direct investment stock in Azerbaijan had reached about \$920 million. It is worth noting that nearly 300 Chinese companies (298 out of 375 companies present in Azerbaijan) are engaged in projects in the recently liberated territories of Azerbaijan (formerly occupied by Armenia). These include high-profile firms such as Huawei, which is installing “smart city” and village solutions in Karabakh, and Chinese renewable energy producers that have signed contracts for solar power plants. In the automotive sector, China's BYD has agreed to invest around 30 million manat (≈17 million USD) to establish the first electric bus assembly plant in Azerbaijan, matching Baku's interest in electric vehicles and green technology. In addition, Azerbaijan is a key segment of the Trans-Eurasian trade route, the Middle Corridor, which China sees as complementary to the BRI. Taken together, these trends indicate Azerbaijan's rapidly increasing dependence on China for capital, technology, and markets. While such engagement brings short-term benefits (funding

infrastructure, job creation, development of non-oil sectors), it carries the classic risks of dependency. Chinese investment often comes with opaque credit terms or associated covenants that can lead to debt leverage—many BRI recipient countries (Sri Lanka, Montenegro, etc.) have faced difficulties repaying Chinese loans, sometimes resulting in the divestment of strategic assets. Azerbaijan has so far avoided heavy foreign debt thanks to its oil revenues, but if it were to make much more sense than Chinese credit for large projects (railways, ports, smart cities), it could gain leverage in Beijing’s favor. In addition, Chinese firms could crowd out local businesses or create limited local value-added, and import high-value Chinese goods and services, relegating Azerbaijan to the role of a commodity supplier (oil, gas, raw materials). Trade data already shows that China is one of Azerbaijan’s main sources of imports (about 14% of imports) – everything from electronics to machinery, causing a trade imbalance (since Azerbaijan’s exports to China are relatively small, mostly crude oil). Overreliance on Chinese technology also creates strategic vulnerabilities. For example, if Huawei builds critical ICT infrastructure, Azerbaijan could face Western backlash (as seen globally on security issues) and could also be vulnerable to Chinese espionage or pressure (telecom networks, data surveillance, etc.). Similarly, if Azerbaijan’s renewable energy or transportation network is built to a significant extent by China, any diplomatic disagreement with Beijing could result in the suspension of projects or the withdrawal of technical support. In fact, while courting Chinese investment is part of Azerbaijan’s multi-vector strategy, too much of a good thing can be dangerous. A diversified economy can mean that no single country (or bloc) can exert undue influence; but if China becomes an indispensable economic patron, Azerbaijan may find its political options, as smaller states dependent on the US or EU sometimes do. The key is proportionality – welcoming Chinese cooperation without allowing it to dominate the economic landscape. Maintaining this balance may be difficult under the pull of the BRICS partnership, where China's economic magnetism is strongest.

5.3.2. Dollarization and Currency Vulnerabilities

A risk associated with deeper integration into BRICS is a push towards de-dollarization – a reduction in dependence on the US dollar in favor of local or alternative currencies (e.g. the Chinese renminbi/yuan). BRICS countries, particularly China and Russia, are preparing to conduct more trade in their national currencies to circumvent the dollar-centric financial system. While this may seem attractive in theory (insulating their economies from US sanctions or

Federal Reserve policy), for Azerbaijan, it could pose significant challenges for currency and financial stability. The Azerbaijani economy is deeply tied to the petrodollar system: oil and gas account for about 90% of its export revenues, and the price of these goods is universally measured in dollars. As a result, the dollar plays an “important and objective role” in Azerbaijan’s trade and fiscal health. Attempts to calculate energy sales in yuan or rubles will result in conversion losses or higher transaction costs, given the limited global acceptance of these currencies. Moreover, the shift of reserves from dollars to yuan could expose Azerbaijan to the vagaries of China’s monetary policy. Unlike the dollar (which floats freely), the yuan is tightly controlled by Beijing and is not fully convertible; its value and liquidity are not guaranteed during a crisis. Many developing countries are reluctant to move away from the dollar for these reasons – by 2022, about 58% of global foreign exchange reserves will be held in US dollars, with only a few percent in yuan. Even BRICS giants such as China and India hold about half of their reserves in dollars. The dollar’s increasing stability is highlighted. Azerbaijan, influenced by BRICS, could face currency mismatch problems if it trades more in yuan or holds yuan assets. Its import needs (e.g., high-tech equipment, Western goods) often require dollars or euros, so any devaluation or restriction of the yuan convertibility could leave Baku facing a serious foreign exchange shortage. An interesting example comes from Russia itself: despite its commitment to de-dollarization by the end of 2022, about a third of Russia’s exports were still denominated in dollars – inertia and practicality kept the dollar at the center, and when Russia shifted more to the yuan after sanctions, it found imbalances in the Forex market, sometimes unable to easily use the yuan. Azerbaijan may also accumulate yuan, for example, from Chinese investments or oil sales to China, but may find limited ways to spend these yuan on its own needs (since others readily accept the yuan). Furthermore, reliance on the yuan could leave Azerbaijan vulnerable to Chinese economic pressure. In a scenario where political relations deteriorate, China could potentially restrict Azerbaijan’s access to yuan clearing or financial networks – just as the US could cut off its access to dollars because of sanctions. While currency diversification is not inherently bad (holding some euros, gold, etc. is prudent), doing so under political pressure from the BRICS to undermine the dollar may put ideology ahead of economic sense. Azerbaijan’s experts have warned that full de-dollarization is impractical, given the dominance of hydrocarbons in its exports and the need for hard currency. Simply put, the manat (Azerbaijan’s currency) is effectively pegged to the dollars it buys from oil. Sudden moves to trade in non-dollar currencies could upset this balance, possibly leading to a devaluation of the

manat (oil prices fell in 2015). So, while it is good to participate in BRICS discussions on monetary reform, Azerbaijan must be extremely careful when experimenting with de-dollarization domestically, lest it replaces well-understood dollar risks with new, opaque risks linked to the yuan or other currencies.

5.3.3. From Power Swap to True Diversification

The main concern is that without a careful strategy, Azerbaijan's move towards BRICS could become a mere "power swap" – replacing one set of dependencies with another, rather than achieving true diversification and autonomy. If the West's leverage over Azerbaijan diminishes, and China and Russia's leverage increases in its place, Baku could similarly find itself squeezed under another umbrella. True diversification means balancing multiple relationships (West, East, regional) so that no one partner can dictate terms which is almost impossible for any country to maintain. President Aliyev has often advocated a "balanced foreign policy" and multilateral cooperation. The spirit of this approach should be to maximize options and hedges, not to shift from being a junior partner to Western institutions to a junior partner to the BRICS powers. Several real-world signals already point to the risks of correction. For example, Azerbaijan's overtures to China and Russia have coincided with a certain cooling of Western enthusiasm (e.g., criticism of the EU and talk of a reassessment of energy). If Azerbaijan is heavily dependent on Chinese investment or Russian security mechanisms, it may find that Moscow and Beijing's support is often conditioned by expectations of compliance with their geopolitical agendas. Unlike EU or US aid, which is often conditioned on governance or human rights (perceived as Baku's interference), Chinese and Russian aid may seem attractive in its uncluttered approach. But the lines are drawn later: perhaps through tacit demands at the UN, pressure to lease infrastructure to Chinese companies for 99 years, or a greater Russian say in Caspian security. The scenario to be avoided is Azerbaijan falling into a new orbit in 5-10 years: selling most of its oil to China for yuan, relying on Russia for telecommunications and transport, weapons and peacekeeping forces, governing with Chinese technology, and mirroring Moscow and Beijing on global affairs. Such a future could betray Azerbaijan's promise of independence after 1991 and give it more strategic freedom than it had under Soviet rule. Moreover, too much indulgence could complicate Azerbaijan's relations with other important players, such as NATO members and traditional ally Türkiye, which could be worrisome if Baku strays too far from the transatlantic alliance. This is despite the Azerbaijani leadership's frequent insistence on non-

alignment: for example, it has pledged not to join blocs and has refused to impose sanctions on Russia, while at the same time transporting gas to Europe. This suggests that Baku is aware of the importance of avoiding over-dependence. To truly diversify, Azerbaijan must continue to develop its relations with the BRICS, not at the expense of Western ties. It could continue Chinese investment by continuing EU energy cooperation; coordinate with Russia on security issues; deepen ties with NATO partners such as Türkiye; and explore new markets (India, Brazil, etc.) without abandoning the dollar/euro financial sphere that underpins hydrocarbon revenues. Diversification is not a leap from one side of the boat to the other, but a balancing act. The risks outlined in this chapter show that a hardline BRICS strategy must be pursued with moderation and attention to potential pitfalls. Otherwise, Azerbaijan may simply replace Western pressures with a different set of pressures - where it has even less influence on the rules of the game. The rough course is a middle ground: using BRICS where it is useful but not distancing itself from the West or isolating itself. Only with such a calibrated approach can Azerbaijan increase, rather than unwittingly diminish, its strategic autonomy and resilience in an unstable multipolar world.

Chapter 6: Azerbaijan's Balancing Strategy in Action and Policy Recommendations

6.1 Keeping a balance of influence between the East and West

Azerbaijan's foreign policy follows a fairly balanced path in establishing relations with major powers, but it particularly avoids joining any military alliances. Since the 1990s, Baku has pursued a neutral profile by cooperating with Eastern countries such as Russia and China, as well as with the West and the Islamic world. One of the cornerstones of this policy of neutrality is its distance from binding military structures such as NATO or the CSTO.

Joining the Non-Aligned Movement (NAM) in 2011 further strengthened this strategy, demonstrating the country's commitment to an independent foreign policy. Following in the footsteps of his grandfather, Heydar Aliyev, President Ilham Aliyev continues to pursue a foreign policy that prioritizes Azerbaijan's national interests.

Today, Azerbaijan has established strategic partnerships with many countries. Relations with Türkiye were strengthened by the Shusha Declaration (2021). Similarly, there are strong ties with many Muslim countries, especially Pakistan. On the other hand, while continuing economic and security-based cooperation with the EU and the US, efforts are being made to develop balanced relations with Russia and China.

Azerbaijan's approach is to expand its maneuverability by establishing good relations with the West, the East, and all major players in the region, without depending on a single power. It participates in both the EU's Eastern Partnership process and China's Belt and Road project (Tanchum, 2022). This clearly shows that Baku pursues a non-ideological, purely interest-oriented foreign policy. In other words, it does not trust anyone one hundred percent, turns the competitive environment to its advantage, and takes a step towards BRICS+ while maintaining its trust in the West.

6.2 Economic and Energy Strategies: Bridging East and West

Azerbaijan's economic policy, particularly its sustainable foreign policy centered on energy, is distinct. While developing relations with both the East and the West, it positions itself as a bridge in the middle of Eurasia.

- **Energy Exports to the West:** After the opening of oil fields to Western companies with the "Contract of the Century" in 1994, Baku achieved economic growth close to the West. In 2022, 65% of exports went to the EU, the majority of which was oil and natural gas (World Bank, 2024). Thanks to the Southern Gas Corridor, Azerbaijan has become a reliable source of energy for Europe and Russia. Only 10 billion cubic meters of gas were sold to Italy. This has created serious mutual relations between Azerbaijan and the EU. With the agreement signed in 2022, it is aimed to increase the amount of gas to 20 billion cubic meters by 2027 (Geybullayeva, 2025). In addition, the laying of clean energy (wind, solar) cables under the control of the Black Sea is on the agenda.
- **Trade and Investment with the East:** Azerbaijan, China, and Russia are strengthening their economic ties. The trade volume with China reached \$3.7 billion in 2023 (Büyüktas, 2024). Azerbaijan sells agricultural and petrochemical products, including machinery and consumer goods, to China. The trade volume with Russia is \$4.36 billion, and Azerbaijan generally has a trade deficit here (Aliyev, 2024). While Chinese companies invested \$942 million in oil/gas, mining, and transportation, Gulf countries such as the UAE and Saudi Arabia are financing renewable energy and logistics centers in line with Baku's regional transportation goals (Büyüktas, 2024).
- **Middle Corridor and Transit Role:** The Trans-Caspian International Transport Route (TICRT), or the Middle Corridor, connects China to Europe via Central Asia, Azerbaijan, Georgia, and Turkey. Investments in the Alat port, the Baku-Tbilisi-Kars railway, and highways position Azerbaijan as a land bridge to Eurasia. Geopolitical changes since 2022, following Russia's invasion of Ukraine, have increased the importance of the Middle Corridor as an alternative to the Northern Corridor. In this way, Azerbaijan earns not only money but also regional political influence.

6.3 Azerbaijan's Relations with BRICS+ and the EU: A Data-Based Comparison

When evaluating Azerbaijan's BRICS+ options, the main goal is not to disrupt the current alignment with the EU. Therefore, in terms of trade, investment strategy, and connections, bilateral connections stand out on the other side, according to the data:

- **Trade Volume:** The EU is Azerbaijan's largest trading partner. Half of the total trade was with the EU in 2023. As of 2024, total trade exceeded 17 billion euros, of which 15 billion euros were EU imports from Azerbaijan (mostly energy products) (WTO, 2024). BRICS+ is less notable in terms of its countries' trade. Intensive trade is with Russia (\$4.36 billion, 8.5% payment), China (\$3.7 billion, approximately 7%), India (\$1.2 billion, 3.4%) (World Bank, 2024). Trade with Brazil and South Africa is quite limited. Among the new BRICS+ members, Azerbaijan's second-largest partner is Türkiye (16% exports), while the UAE (\$0.8 billion), Saudi Arabia (\$0.3 billion), and Iran (\$0.5 billion) have smaller but increasing trade (SWF Institute, 2024).
- **Investment and Finance** Investments from Europe are led by large companies such as BP. According to the 2023 systems, the UK (outside the EU) has 28% of direct investments, while EU countries have a share of 19% (mostly via Cyprus) (Ibadoghlu, 2025). On the BRICS+ front, Turkey accounts for 20% of investments (energy, telecom, agriculture), Russia for 9% (retail, energy, banking), Iran for 6%, and China for about 1 billion dollars (infrastructure, industry). The Gulf countries stand out with their separate energy and logistics investments - actors such as Masdar (UAE) and ACWA Power (Saudi Arabia) are influential here (Büyüktaş, 2024).
- **Diplomatic Engagement:** Relations with the EU are based on long-term institutional foundations. The 1999 Partnership and Cooperation sharing and ongoing new agreement negotiations (90% completed by 2023) formalize this bond. It is the center of high-level units on energy and security issues. BRICS engagement is nascent; Azerbaijan is not a member but attends BRICS+ outreach meetings and leverages NAM (chaired 2019-2023) to connect with BRICS nations. Its rhetoric aligns with Global South themes (multipolarity, institutional reform) while maintaining EU dialogue on governance and human rights. Azerbaijan's pragmatic UN voting and mediation offers (e.g., Russia-Ukraine talks in 2022) avoid antagonizing either side.

Azerbaijan's EU ties dominate trade and energy exports, but BRICS+ nations are vital for imports, markets, and investment. This dual engagement provides leverage, allowing Azerbaijan to strengthen BRICS+ ties while keeping the EU close.

6.4 Lessons from other small states balancing big powers

Azerbaijan's balanced foreign policy, which engages both the BRICS+ and the European Union (EU), mirrors the strategies employed by other small states operating in complex geopolitical landscapes. Egypt, while maintaining strong ties with the EU, provides an attractive example for Azerbaijan due to its BRICS+ membership:

Egypt – Strategic Hedging: Egypt has demonstrated a pragmatic approach to geopolitics by skillfully balancing relations with Western powers, Russia, China, and the Gulf states. A member of BRICS+ since 2024, Egypt has not only maintained but also strengthened its relations with the US, its main provider of military and economic assistance (approximately \$1.3 billion per year), and the EU, which has allocated \$8 billion in 2024 to support migration control and economic stability (Hamzawy, 2025; World Bank, 2024). At the same time, Chinese investment in infrastructure and industrial projects in Egypt's Suez Canal Economic Zone has deepened economic ties with China through the Belt and Road Initiative, which has exceeded \$7 billion (Fraser & Saha, 2025). Egypt's trade with Russia, including wheat imports and arms deals, has increased, with bilateral trade reaching \$5.6 billion in 2023 (Nach & Ncwadi, 2024). Besides, Gulf countries such as Saudi Arabia and the UAE have contributed more than \$20 billion to Egypt's energy and real estate industries in recent years. Egypt tries to cooperate with different countries to avoid relying too much on a single group, so it can gain economic benefits from several blocs at once. At the same time as negotiating with the EU, Egypt entered into agreements with China for clean energy and with Russia for the El Dabaa nuclear plant (Hamzawy, 2025). Characterized by flexibility and opportunism, this multi-vector diplomacy ensures that Egypt maximizes its economic and political leverage. Egypt's approach to Azerbaijan suggests a plan: By engaging BRICS+ for trade and investment opportunities while continuing EU energy and economic cooperation, Baku can strengthen its strategic autonomy without alienating key partners.

6.5 Policy Recommendations

If Azerbaijan wants to expand with BRICS+ without disrupting its partnership with the European Union, the following recommendations should be implemented in simple ways:

- **Increasing Non-Energy Exports to BRICS+ Markets:** Azerbaijan should increase its non-energy product exports to customers in BRICS+, such as India, the UAE, and Saudi Arabia. Especially agricultural products (fruits, nuts) and petrochemicals can be targeted. For example, India's increasing demand for chemical products offers an opportunity to expand this area, which currently accounts for only 3.4% of Azerbaijani exports (Qurbanov, 2023). Thanks to trade agreements with these countries, Azerbaijan will increase its non-energy exports, which produce more than 60% of total exports, and gather more solid economic structures are established with the Global South (Geybullayeva, 2025). This diversification will both buffer the currency against energy price fluctuations and increase economic volume.
- **Use the Middle Corridor More Effectively:** Azerbaijan should accelerate its investments in the Middle Corridor – the Trans-Caspian International Transport Route – to live up to its potential as a bridge country in Eurasia. Infrastructure projects such as the Alat Port and the Baku-Tbilisi-Kars program can facilitate the smooth flow of trade from China to Europe, thereby attracting more investment from both the BRICS+ countries (especially China) and the EU. However, it is also possible to implement EU-backed projects by utilizing several financiers such as the Asian Infrastructure Investment Bank (AIIB). This way, Azerbaijan can position this route to strengthen its ties with both blocs and demonstrate that BRICS+ cooperation is complementary to its existing partnerships with the West.
- **Implement BRICS+ Integration in a Gradual and Transparent Way:** Baku should start by sharing information about BRICS+ or participating in forums. In this context, it allows Azerbaijan to benefit economically from the BRICS New Development Bank (NDB) with a 34 billion dollar resource before taking a supportive decision such as full membership (BRICS Joint Declaration, 2024). At the same time, it is essential to send a clear message to the EU: This new cooperation is complementary to existing

partnerships. The emphasis on common interests, such as energy security and regional stability, will reduce the EU's possible concerns. In this way, it should be supported by high-level dialogues within the framework of the 1999 Partnership and Cooperation Agreement.

- **Balance and Diversify Investment Sources:** Incoming investments from BRICS+ countries, especially in the growth areas such as fragmented energy and logistics, will be the key to expansion. Companies such as the UAE's Masdar and Saudi Arabia's ACWA Power have invested hundreds of millions in these regions. However, while these developments are taking place, investments from the EU and the West, which will account for 19% of foreign direct investments in 2023, are also being ensured to continue. Thus, Azerbaijan will prevent the over-reliance on BRICS+ countries and reduce its consumption of Western capital. Joint projects with Chinese and EU companies will both strengthen competition and deepen the harmony of mutual interests in Azerbaijan.

Conclusion

Azerbaijan is at a critical juncture where its multi-vector foreign policy can be used to deepen its strategic partnership with the BRICS while maintaining its relations with the West. Egypt's success in strategic hedging provides a compelling model for small states to enter different geopolitical blocs without compromising existing alliances. By diversifying its trade to include non-energy exports to BRICS+ markets, strengthening the role of the Middle Corridor as a Eurasian trade channel, and taking a phased, transparent approach to BRICS+ integration, Azerbaijan can maximize its economic opportunities and political influence. Emulating Egypt's pragmatic diplomacy and balancing investment resources will further ensure that Baku remains a vital partner for both the East and the West. This comprehensive strategy will not only reduce the risks of geopolitical polarization, but also position Azerbaijan as a sustainable, autonomous actor capable of managing competing interests to ensure long-term prosperity and stability in a multipolar world.

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