Russia's Motor Vehicle Manufacturing Industry and Its Relations with Azerbaijan

The Republic of Azerbaijan, a former Soviet state that is now a member of the CIS, is a long-term partner of Russia. Although it is not a member of such important (from Russia's perspective) international organizations as the EAEC (Eurasian Economic Union) and the CSTO (Collective Security Treaty Organization), Russia and Azerbaijan nevertheless work together closely, and this cooperation means a great deal to both nations and the whole wider region.

Among the important sectors in which Russia and Azerbaijan cooperate is the automobile industry. Naturally, given the nation's status as a former Soviet republic, Soviet and Russian-made cars have been in common use in Azerbaijan for decades and continue to play an important role in the national economy. And, with their low cost and high quality, Azerbaijan sees no reason to stop using them.

Russian trucks made by the KAMAZ factory are particularly popular in Azerbaijan. For several decades, they have been the main goods vehicles used in Russia and the other former Soviet republics. KAMAZ trucks are also sold in many other regions, and are currently in use in more than 80 countries, with some states, such as South Africa, manufacturing them under license. Azerbaijan has also expressed an interest in manufacturing KAMAZ trucks in its territory.

In December 2014 KAMAZ and the Ganja Auto Plant (the largest car manufacturer in Azerbaijan) signed an agreement on the supply of complete sets of KAMAZ components to Azerbaijan, as well as a license agreement granting the Azerbaijani company the right to assemble the vehicles in its facilities. The assembly of KAMAZ trucks
in Azerbaijan began in April 2015. It was announced that these vehicles would be supplied to state construction organizations, as well as municipal and transport bodies - a clear indication of how highly the country’s government rates these Russian trucks.

If KAMAZ is the leading Russian manufacturer of heavy goods vehicles, then GAZ occupies a similar position in the light and medium goods vehicle sector. Like KAMAZ trucks, GAZ goods vehicles are very popular outside Russia, due to their high quality, reliability and reasonable cost. They are exported to more than 30 countries in Asia, Africa, Latin America and Europe. GAZ vehicles have long been manufactured under license in Kazakhstan and Turkey. And as a long-term importer of large numbers of these vehicles, Azerbaijan also decided to start manufacturing them under license.

In April 2018, GAZ and the Azerbaijani company Azermash agreed to start the assembly of GAZ vehicles in a new factory in the Azerbaijani town of Hajigabul. According to the announcement on the deal, once production of the standard models has been launched, the company will use these models as a basis for the manufacture of special purpose vehicles such as ambulances.

The plant in Hajigabul began production in April 2021. Azerbaijani President Ilham Aliyev was present at the opening ceremony. Ever since production commenced, the company has assembled nine different GAZ models: trucks, vans and minibuses. The company currently aims to assemble 1 500 vehicles a year, and its capacity will be gradually increased to what is, in terms of the national motor vehicle manufacturing industry as a whole, a significant level. Neither the Russian nor the Azerbaijani party to the agreement have any doubt that these production volumes will be attained: GAZ vehicles are popular in Azerbaijan, and when they are assembled in the country they will be cheaper than when they were imported from Russia, as no customs duties will be payable. It is certain that the plant in Hajigabul will account for a significant share of the national market. And when demand on the national market is fully satisfied Azerbaijan plans to export vehicles assembled in the Hajigabul plant to Iran and Turkey.

At the end of July 2021 a Russian trade delegation from the Russian Export-Import Bank, a state bank established to support Russian trading ventures, visited Azerbaijan. On July 23, in Baku, the Azerbaijani capital, there was a meeting in which many representatives of major Russian firms held talks with their Azerbaijani counterparts on issues relating to cooperation in a range of different areas, including the development of transport infrastructure, the construction of residential property and the overall increase of trade between the two countries. According to participants in the talks, Russia and Azerbaijan are in a good position to develop bilateral trade and other types of economic cooperation.

The motor vehicle manufacturing industry was among the sectors discussed: according to Rashad Nabiyev, Azerbaijan’s Minister of Transport, Communications and High Technologies, who took part in the talks, the government is seeking support from Russia in upgrading its fleet of vehicles. Getting straight down to business, while the meeting was still under way KAMAZ and the Ganja plant signed a memorandum of understanding on expanding the manufacture of KAMAZ trucks in Azerbaijan.

Russian vehicle manufacturers feel comfortable doing business in Azerbaijan, and it is anticipated that that country’s demand for goods vehicles will soon significantly increase. During the war in Nagorno-Karabakh, which took place in autumn 2020, Azerbaijan occupied much of the unrecognized republic. Now Azerbaijan has to develop its new territory, which will involve a great deal of work. The government plans to construct a railway, several airports and approximately 1 000 kilometers of roads in the region. This work will certainly require a large number of trucks.

In December 2020 Vladimir Putin, the Russian President, announced that under international law Nagorno-Karabakh belongs to Azerbaijan. Naturally, Azerbaijan appreciates these words of support. With this new factor in mind, and given the fact that, as mentioned above, Russian vehicles are popular in Azerbaijan, it seems clear that Azerbaijan will be using a large number of Russian vehicles in its upcoming building project, and that this will boost the growth of vehicle manufacturing companies and strengthen relations between Russia and Azerbaijan.

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