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Aydin Boyukkishi MIRZAZADE

*PhD in Political Science, Associate Professor of the Academy of Public Administration
under the President of the Republic of Azerbaijan, Baku, Republic of Azerbaijan*

ORCID: <https://orcid.org/0009-0003-2283-5420>

e-mail: aydinmir25@hotmail.com

IMPLEMENTATION OF ENERGY AND COMMUNICATION PROJECTS IN THE SOUTH CAUCASUS IN THE CONTEXT OF THE ARMENIAN-AZERBAIJANI NAGORNO-KARABAKH CONFLICT (1993–2013)

Abstract. Purpose. The article is devoted to the implementation of energy and communication projects in the South Caucasus. **Scientific novelty.** The mutual influence of regional conflicts and energy issues cannot be denied. Especially in such a complex region as the South Caucasus, existing and ongoing conflicts are among the main factors hindering the integration of the countries of the region into the world political and economic system. In particular, the Nagorno-Karabakh conflict, which lasted from 1988 to 2020 and eventually ended with the restoration of the territorial integrity of Azerbaijan, has long hampered the effective use of Azerbaijan's energy resources for economic and social development, as well as active participation in ensuring global energy security. After Heydar Aliyev returned to power for the second time in 1993, he put an end to the political crisis and economic decline in the country, launching deep reforms for the welfare of his country. Despite the unresolved conflict, in May 1994 Heydar Aliyev was able to conclude a ceasefire agreement with Armenia and for this purpose developed a well-thought-out oil strategy, which he successfully implemented. The basis of this strategy was the conclusion of contracts with foreign companies for the use of Caspian oil, the construction of pipelines for the export of oil and gas, and an increase in investment in the country's economy. After 2003, Ilham Aliyev successfully continued this strategy. **Conclusions.** As a result, by 2013, Azerbaijan became one of the leading countries in the world in terms of economic development. The commissioning of the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline, the implementation of such international projects as the Southern Gas Corridor, TANAP, TAP, and the deepening of economic reforms gave a new impetus to the development of the country. Azerbaijan has become an important and reliable partner in ensuring Europe's energy security. All this has ultimately allowed Azerbaijan to increase its military power, overtake Armenia in all development parameters and, finally, liberate its territories, ensuring sovereignty over its entire territory.

Keywords: Republic of Azerbaijan, Republic of Armenia, Nagorno-Karabakh conflict, energy issues, oil pipeline, gas pipeline, economic development, reforms.

Айдин Бююккіші оглу МІРЗАЗАДЕ

*доктор філософії з політичних наук, доцент Академії державного управління
при Президенті Республіки Азербайджан, м. Баку, Республіка Азербайджан*

ORCID: <https://orcid.org/0009-0003-2283-5420>

e-mail: aydinmir25@hotmail.com

РЕАЛІЗАЦІЯ ЕНЕРГЕТИКО-КОМУНІКАЦІЙНИХ ПРОЕКТІВ НА ПІВДЕННОМУ КАВКАЗІ У КОНТЕКСТІ ВІРМЕНО-АЗЕРБАЙДЖАНСЬКОГО НАГІРНО-КАРАБАХСЬКОГО КОНФЛІКТУ (1993–2013 рр.)

Анотація. Мета. Статтю присвячено реалізації енергетико-комунікаційних проектів на Південному Кавказі. **Наукова новизна.** Взаємний вплив регіональних конфліктів та енергетичних питань неможливо заперечити. Особливо в такому складному регіоні, як Південний Кавказ, де конфлікти, що існують і тривають, є одними з основних факторів, які перешкоджають інтеграції країн регіону у світову політичну й економічну систему. Зокрема, нагірно-карабахський конфлікт, який продовжувався у 1988–2020 рр. і, зрештою, завершився відновленням територіальної цілісності Азербайджану, тривалий час перешкоджав ефективному використанню енергетичних ресурсів останнього для економічного та соціального розвитку, а також активній участі у забезпеченні світової енергетичної безпеки. Після того як у 1993 р. Г. Алієв повернувся до влади вдруге, він поклав край політичній кризі й економічному спаду в країні, розпочавши глибокі реформи заради добробуту населення. Незважаючи на неврегульованість конфлікту, у травні 1994 р. Г. Алієв зміг укласти з Вірменією угоду про припинення вогню і для цього розробив продуману нафтову стратегію, яку успішно реалізував. Основою цієї стратегії було укладання контрактів з іноземними компаніями на використання каспійської нафти, будівництво трубопроводів для експорту нафти та газу, а також збільшення інвестицій в економіку країни. Після 2003 р. І. Алієв успішно продовжив цю стратегію. **Висновки.** У результаті, до 2013 р. Азербайджан став однією з провідних країн світу за темпами економічного розвитку. Введення в експлуатацію нафтопроводу Баку-Тбілісі-Джейхан, газопроводу Баку-Тбілісі-Ерзурум, реалізація таких міжнародних проектів, як Південний газовий коридор, TANAP, TAP, поглиблення економічних реформ дало новий імпульс розвитку країни. Азербайджан став важливим і надійним партнером у забезпеченні енергетичної безпеки Європи. Це дозволило Азербайджану підвищити свою військову міць, обігнати Вірменію за всіма параметрами розвитку та звільнити свої території, забезпечивши суверенітет на всій території.

Ключові слова: Республіка Азербайджан, Республіка Вірменія, Нагірно-Карабахський конфлікт, енергетичні питання, нафтопровід, газопровід, економічний розвиток, реформи.

The problem statement. The collapse of the USSR and the end of the Cold War, as well as the formation of new independent states in the post-Soviet space, have significantly changed the political and economic geography of the modern world. The collapse of the Soviet Union caused national and ethnic conflicts in its former territories, which created the conditions for the expansion of separatism, one of the global modern problems. At the same time, some newly formed independent States made unreasonable territorial and other claims against neighboring States, which also became a reality.

All these changes, along with an increase in the number of international and regional conflicts, have also led to a change in the policy of major States towards the region. However, the fundamental changes that took place in the 1990s were not only of a military-political nature or an exclusively negative impact. One of the most important features of these years was the accelerated development of economic integration processes in the world, and in the 2000s favorable conditions were created for further strengthening of this process. The military and political changes that occurred as a result of the collapse of the USSR, especially national and ethnic conflicts, reflected the negative aspects of this era, but the positive aspects of this process also, paradoxically, stemmed from these events. Thus, one of the major sources of international tension — the disappearance of the USSR from the political map of the world — on the one hand, led to military conflicts, but on the other, contributed to the weakening of the threat of nuclear war, the disappearance of irreconcilable hostility between the two ideological blocs, the restoration of the independence of peoples who had been deprived of it for decades, and their full-fledged entry into the world community. These countries have been given the opportunity to pursue an independent foreign policy, which has had a direct positive impact on the speed of global integration processes (whether political, economic or cultural). One of the most important areas of modern integration processes is economic integration, which includes international and regional energy and communication projects. Many political processes in the world are characterized by economic aspects.

The main purpose of the article is to show the impact of regional conflicts on the implementation of energy and communication projects in the South Caucasus.

Presentation of the basic material. The restoration of Azerbaijan's independence, which has large energy resources and a convenient geographical location, as well as the possibility of stable political and economic development by the end of the 1990s, created conditions for the republic's active participation in regional energy and communication projects. It should be noted that even on the eve of the collapse of the USSR, it was known that Azerbaijan would become a potential participant in global energy and communication projects. So, in 1989, the chairman of the board of the famous Scottish company Remko, S. Remp visited Baku and got acquainted with the possibilities of using Azerbaijan's oil reserves. In 1990-1991, intensive negotiations were already held between the government of Azerbaijan and several well-known world oil companies on cooperation issues [13, pp. 145–146].

In October 1991, with the restoration of Azerbaijan's independence, there were opportunities to turn these negotiations into real cooperation. However, the difficult military and political situation in the republic, the growing civil conflict, as well as the undeclared war and aggression from Armenia have significantly limited these opportunities. As a result, Azerbaijan's real participation in major energy and communication projects in Western countries became impossible in the early 1990s. In his book "Oil of Azerbaijan", President Ilham Aliyev correctly links the main reasons that these projects were not signed at that time with a number of factors:

- “1. Adoption by the U.S. Congress of Article 907 of the Freedom Protection Act;
2. Increasing interest in the idea of combining production at all fields;
3. Poor level of economic analyses conducted by Azerbaijani specialists working on the project;
4. The weak level of economic analysis of Azerbaijani specialists, as well as the participation of the representative of the Oman oil company, D. Jones, in negotiations with the ARNDF. D. Jones was in favor of laying the Azerbaijan-Novorossiysk oil pipeline, while the government of Elchibey preferred the route through Turkey. Therefore, D. Jones created tension between ARNDF and Western companies” [13, p. 150].

The most dangerous side of the issue was that at that time, the participation of the Republic of Azerbaijan in international energy and communication projects was closely linked to the Nagorno-Karabakh conflict between Armenia and Azerbaijan. Thus, the leadership of the Russian Federation at that time, not wanting to lose its interests in the region, including natural resources, considered it important to support Armenia in this conflict in order to restore its position. It is no coincidence that it was during the negotiations on oil contracts between the Republic of Azerbaijan and Western companies, namely in 1992 and early 1993, that Armenia's military aggression against the Republic of Azerbaijan became intense. In April

1993, the Armenian armed forces occupied the Kelbajar region of Azerbaijan, in June — the Agdera region, and in July — two thirds of the territory of Agdam. In August 1993, the Armenians occupied most of the Fusuli and Jabrayil districts, including the centers of both districts, and on August 31, the advancing Armenian troops captured the Kubadli district. In October of the same year, the offensive of the Armenian troops ended with the occupation of the Zangelan region, as well as the coastal settlements of the Jabrayil and Fusuli regions along the Araz River [11, pp. 474–476].

The seizure of a large part of its territory and the serious violation of the territorial integrity of the country, as a result of the indifference of the international community, have raised serious questions about the existence of Azerbaijan's statehood. At such a moment, the return to power of the great politician and outstanding statesman Heydar Aliyev (June 1993) led to drastic changes both inside the country and in the region in the military, political and economic situation.

Since June 1993, the principled struggle of the new leader of Azerbaijan, Heydar Aliyev, for a peaceful solution to the Nagorno-Karabakh conflict, the liberation of the Azerbaijani territories occupied by Armenian troops and the spread of Azerbaijani truth in the world began. On May 10, 1994, the Bishkek Protocol on the ceasefire on the front line between the Republic of Armenia and the Republic of Azerbaijan was signed. After that, a favorable opportunity arose for the painless transition of the Republic of Azerbaijan from one political and economic system to another, for socio-economic development in peaceful conditions, the country's active participation in bilateral and multilateral relations, in protecting its national interests in the international community and in the implementation of major projects. Under the leadership of Heydar Aliyev, a clear economic concept was formed for the Republic of Azerbaijan, which included the development of the oil industry — exploration and development of oil fields, oil production and refining, as well as the democratization of society [13, p. 152].

At the time when Ilham Aliyev was the first vice-president of the State Oil Company of Azerbaijan (SOCAR) and now the President of the Republic of Azerbaijan, he wrote the following in his book "Oil of Azerbaijan": "As a result of the development of the socio-economic development plan of the Republic of Azerbaijan and a powerful oil strategy, as well as through the effective use of the country's internal resources, including energy resources, the negative impact of the conflict with Armenia on the implementation of this strategy was minimized..." [13, p. 153].

Negotiations with foreign companies on the exploitation of Azerbaijan's oil fields began during the period of the Popular Front's rule, and the signing of the oil contract was scheduled for July 21, 1993. However, the terms of this contract, which were more in line with the interests of foreign companies, were extremely unprofitable for Azerbaijan, and if the contract was implemented, the country could become completely dependent on foreign investment.

A number of organizational steps were taken in the second half of 1993 and early 1994 to determine the state's oil strategy and develop a new oil contract with foreign companies. During this period, a commission consisting of special experts from various fields was established to address these issues. By the decree of the President of the Republic of Azerbaijan, Heydar Aliyev, dated January 10, 1994, the new management structure of the State Oil Company of Azerbaijan (SOCAR) was approved: the production associations Azneft, Azerigaz, Azerkimiya, and Geology and Engineering Geology were established in the company. In addition, SOCAR's structure included trusts and enterprises with production rights in the oil and gas industry. In May 1994, Ilham Aliyev, a graduate and former lecturer at the Moscow State Institute of International Relations, an expert on international relations, was involved in the work of the commission [3]. Then, from February to June 1994, during this period, intense work was carried out on the terms of the contract and mutual obligations, and as a result of intensive negotiations, all disagreements with Western financial structures and oil companies were eliminated. Thanks to this large-scale activity, the oil strategy of the Republic of Azerbaijan was formulated in a short period of time. After preparation and a large preliminary stage, on September 20, 1994, a contract was signed in Baku between the State Oil Company of Azerbaijan (SOCAR) and 11 major oil companies in the world on joint development and distribution of oil production at the Azeri-Chirag-Guneshli fields in the Azerbaijani sector of the Caspian Sea. This contract, which has been called the "Contract of the Century" since its signing, was ratified by the National Assembly of the Republic of Azerbaijan on December 12, 1994.

The main terms of the contract were as follows: the contract period was 30 years, the fields under development were Azeri, Chirag and Guneshli. Oil reserves in these fields were estimated at 511 million tons (4 billion barrels), Azerbaijan's share in the contract was 258 million tons of oil, the share of foreign companies was 64 million tons, and the volume of repairs, operation and transportation amounted to 194

million tons. The U.S. investments amounted to \$ 7.4 billion, the income of the Republic of Azerbaijan — \$ 34 billion, the income of companies – \$ 8 billion. The parties to the contract agreed on the following distribution of shares: 80% goes to Azerbaijan, 20% to companies. According to the contract, a bonus of \$300 million was allocated to the Republic of Azerbaijan, and a foreign consortium was to allocate \$5 million to the Presidential Fund for healthcare and \$50 million for social security. In accordance with the terms of the contract, the Republic of Azerbaijan retained ownership of the oil and gas produced at these three fields, while the participation of foreign oil companies in the exploration of these fields was at their expense [13, p. 175].

In his book *The Contract of the Century*, Ilham Aliyev highlights the economic benefits that the implementation of this contract has brought to the Republic of Azerbaijan and groups them as follows:

1. The implementation of the project allowed Azerbaijani oil to enter the European market, which, in turn, created conditions for more efficient development of other promising industries using already developed and proven mechanisms.;

2. The Republic of Azerbaijan has significantly strengthened its position in the eyes of international investment and credit organizations, which has given the republic advantages in implementing strategic projects;

3. Access to more investments in oil and related industries has been opened up;

4. The Republic has been given the opportunity to create its own foreign exchange reserves and pursue an independent investment policy;

5. The integration of the Republic of Azerbaijan into the world economic community has accelerated [13, p. 178].

The Contract of the Century was not only a victory in the oil sector, but also created significant opportunities for the development of all other sectors of the economy of the young Republic of Azerbaijan, including agriculture, in which a significant part of the population works and lives, as well as science and education, which made it possible to strengthen social protection of the population. This, in turn, created ample opportunities to minimize the social tension that arose as a result of the occupation of part of the Azerbaijani territories by the Armenian side.

The “Contract of the Century” was not only an economic, but also a diplomatic victory for the Republic of Azerbaijan, which, after gaining independence, was experiencing severe political upheavals, had just ended a civil conflict and had territorial losses. For a country that has not yet managed to establish the necessary international relations and had not very strong relations with most States, this contract was an important step towards a future development strategy. Unlike the occupied territories of Armenia, which had strong support abroad, Azerbaijan, at that time, faced a negative opinion of itself in international politics, which was supported by the Armenian diaspora.

It is no coincidence that shortly after the signing of the contract, the Republic of Azerbaijan became one of the key participants in the energy and communication projects of the European Union, and cooperation between the countries strengthened not only in the energy sector, but also in other areas.

Back in 1991, within the framework of the TACIS program, created by the European Union (at that time the European Economic Community) to assist the republics of the South Caucasus and Central Asia, the TRASECA project was adopted, aimed at creating highways and new transport infrastructure in the South Caucasus and Central Asia. This draft was adopted at the Conference of Ministers of Trade and Transport in Brussels in May 1993.

As a continuation of the implementation of the TRASECA project, on September 8, 1998, a “Conference on the Historical Silk Road” was convened in Baku on the initiative of the Presidents of the Republic of Azerbaijan and the Republic of Georgia. Representatives of 32 States and 13 international organizations took part in this important event. A document entitled “Multilateral agreement on the development of the Europe-Caucasus-Asia Transport and Communication Corridor” was signed at the conference. The agreement defined the following main objectives of TRASECA for the European, Black Sea and Caspian basins and Asian regions: 1. Development of economic relations, commercial relations and transport; 2. Creation of opportunities for freight transportation by highway, air, rail and water transport to international markets; 3. Ensuring traffic safety, passenger and freight transportation, as well as environmental protection; 4. Expansion of international freight transportation; 5. Coordination of transport policy; 6. Creating equal conditions for healthy competition between different modes of transport [2]. After the Baku conference, the TRASECA project became known in the international community as the Great Silk Road project. It should be noted that due to the convenient geographical location of the

Republic of Azerbaijan, its rich natural resources and, most importantly, the establishment of political and social stability in the country in a short period of time, the European Union was able to focus its key energy and communication projects in the South Caucasus region, which, in turn, contributed to the expansion of investments in Azerbaijan.

The next project of the European Union was the INOGATE program (interstate oil and gas pipelines to Europe), developed in 1995. The main goal of the program was to ensure the safe transportation of gas and oil from the South Caucasus to Europe. In addition to the Republic of Azerbaijan, countries such as Albania, Belarus, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Romania, Serbia, Slovakia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan, and Greece participated in the implementation of this project, all of which expressed interest in its implementation.

With conferences held in Baku in 2004 and in Astana in 2006, INOGATE has become an important tool for expanding energy partnership between the European Union and post-Soviet countries. The program participants decided to focus its activities on four areas: energy security, convergence of energy markets of the European Union member states, attracting investments in energy projects, and support for sustainable energy development [10]. The INOGATE project supported energy policy cooperation in partner countries in four areas of cooperation with the European Union. From 1996 to 2015, approximately 61 projects were implemented in SOME countries. The next historic step towards the implementation of international energy and communication projects in the South Caucasus was the signing of the Ankara Declaration on October 29, 1998 by the U.S. Secretary of Energy and the Presidents of Azerbaijan, Georgia, Turkey, Kazakhstan and Uzbekistan in support of the Baku-Tbilisi-Ceyhan oil pipeline. The Ankara Declaration laid the foundation for the implementation of the Baku-Ceyhan project [12].

Then, during the OSCE summit in Istanbul, on November 18, 1999, a historic agreement was signed on the transportation of oil through the territory of Azerbaijan, Georgia and Turkey. The agreement was signed by President of the Republic of Azerbaijan Heydar Aliyev, President of Georgia Eduard Shevardnadze and President of Turkey Suleiman Demirel. In 2002, the expected agreement was signed between the Governments of the Republic of Azerbaijan and the participating states on the design and financing of the Baku-Tbilisi-Ceyhan oil pipeline [13, p. 495]. On August 1, 2002, the parties to the agreement established the BTC Co company for the construction and operation of the pipeline. Already on September 18 of the same year, the foundation of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline was laid [13, p. 509]. In April 2003, construction work began on the Baku-Tbilisi-Ceyhan oil pipeline project. In July 2006, the first transportation of Azerbaijani oil through BTC took place. Thus, a project was implemented to transport oil from the Caspian Sea to Europe [3].

The filling of the BTC pipeline with oil began on May 10, 2005, and the raw materials reached the terminal in Ceyhan on May 28, 2006. It took about 10 million barrels of oil to fill the pipeline. The first tanker loaded with export oil was launched on June 4, 2006 [7].

In addition, crude oil from Turkmenistan is also transported through this pipeline, and since October 2013, Baku-Tbilisi-Ceyhan (BTC Co) has begun transporting some of the crude oil produced in Kazakhstan at the Tengiz field through the BTC pipeline. Thus, the BTC oil pipeline has become an international energy project that transports the ever-increasing volumes of oil produced in the region to world markets.

In March 2022, the BTC oil pipeline marked the dispatch of the 5,000th tanker with oil exported through the Sangechal terminal in Azerbaijan, Georgia and Turkey to the Ceyhan Terminal. From the moment of commissioning in June 2006 until the end of the second quarter of 2023, more than 546 million tons (4.1 billion barrels) of oil were transported through the BTC oil pipeline with a total length of 1,768 km, which was loaded into 5,402 tankers in Ceyhan and shipped to world markets. A notable milestone was the achievement of 4 billion barrels of exported oil, which was marked on January 18, 2023 [14].

Since the mid-1990s, the South Caucasus has become a region where energy and communication projects have been actively developed. By the end of that decade, these projects began to be implemented, and in the shortest possible time, Azerbaijan, becoming one of the most active participants in these projects, turned into a leading country in the region. Along with the construction of the Baku-Tbilisi-Ceyhan oil pipeline, economic reforms, the introduction of a new development model in the manufacturing and investment sectors, as well as more efficient use of domestic resources have played a major role in this process. The success of the oil strategy developed and implemented by Azerbaijani President Heydar Aliyev, as well as the high viability of the socio-economic development model of Azerbaijan, were confirmed by the achievements achieved in the late 1990s and 2000s.

These changes led to significant changes in the economic life of the country, preventing the high inflation rate observed in the early 1990s. As a result, financial stability was achieved, which created the conditions for ending the practice of financing the budget deficit by the National Bank. Azerbaijan's state budget deficit has been reduced to 1–2% of gross domestic product. Since 1997, dynamic economic growth has begun in Azerbaijan, as expected. Overall, gross domestic product (GDP) grew by 1.3% in 1996 compared to the previous year, by 5.8% in 1997, and by an average of 10% in 1998–2003. In 2004–2011, this growth increased threefold. Thanks to privatization and the development of entrepreneurship, the share of the private sector in GDP increased significantly from 29% in 1994 to 81% in 2011 [9].

From 1993 to 2013, 15,338.5 million manats were invested in the development of socio-economic sectors. 78.8% of these investments were domestic investments, while 21.2% were external investments. Of the total investments in fixed assets, 11,690.5 million manats (76.2%) were directed to the development of the oil industry, and 3,648 million manats (23.8%) were directed to the development of the non—oil sector [4].

The establishment of the State Oil Fund of the Republic of Azerbaijan in 1999 is assessed by economists as a positive result of the country's economic development strategy. The transportation of Azerbaijani gas to Georgia and Turkey has also become an important element of Azerbaijan's energy strategy. On March 12, 2001, an agreement was signed in Ankara between Azerbaijan and Turkey on the supply of natural gas from Azerbaijan to Turkey. On September 29 of the same year, an agreement was signed in Baku between Azerbaijan and Georgia on the transit, transportation and sale of natural gas through the territory of Georgia.

Six years later, in 2007, the natural gas produced at the Shah Deniz field as part of the first stage of its development was supplied to the Turkish gas pipeline system along the Baku-Tbilisi-Erzurum route. In fact, the Baku-Tbilisi-Erzurum gas pipeline became the foundation and the first part of the Southern Gas Corridor. The construction of this gas pipeline in 2007 was a historic event. After that, Azerbaijan became one of the countries exporting natural gas.

On September 20, 2014, the construction of the Southern Gas Corridor began, and on May 29, 2018, the official opening ceremony took place. To date, the Baku-Tbilisi-Erzurum gas pipeline, the expanded Southern Gas Pipeline Complex (SGBK), TANAP and TAP are working smoothly and safely, playing an important role in ensuring Europe's energy security. Especially in light of the war between Russia and Ukraine, when the transportation of Russian gas to Europe was suspended, Azerbaijan's oil and gas undoubtedly became a decisive factor in the regional security system.

From the start of operation until the end of 2013, 214 million tons of oil were exported through the Heydar Aliyev export oil pipeline, and 24 billion cubic meters of gas were exported through the Baku-Tbilisi-Erzurum gas pipeline [1, p. 7]. The “Long-term Oil and Gas Revenue Management Strategy (2005–2025)” approved by the decree of the President of the Republic of Azerbaijan in 2004 was of great importance and was a continuation of the country's overall oil strategy. By the way, in the fourth paragraph of this important document, broad tasks were defined to solve all the problems that arose as a result of the Armenian-Azerbaijani conflict in Nagorno-Karabakh. It notes that: “... 2. The long-term strategy for managing oil and gas revenues covers the main areas based on maintaining macroeconomic stability; 3. Development of the non-resource sector of the economy; 4. Large-scale development of infrastructure sectors; 5. Reducing poverty and solving other social problems; 6. Stimulating the economy and the technological base; 7. Development of human capital; 8. Strengthening the country's defense capability; 9. Carrying out measures to restore the liberated territories and return internally displaced persons to their homeland” [6].

The strategy, calculated until 2025, determined the prospects for the development of the economy and social life of Azerbaijan for the next 10 years. At the same time, this course testified to the solid foundation of the leadership of the Republic of Azerbaijan in the region. Azerbaijan has already become an active participant in global processes. The participation of the Republic of Azerbaijan was necessary for holding important events in the region and Europe, and without it, holding political, economic, transport, cultural and other events in the region would have been impossible [5].

The strategy of turning the Republic of Azerbaijan into the economic leader of the South Caucasus, of course, depended on the successful implementation of a carefully developed state strategy. This strategy, on the one hand, provided for the economic development of the country at the expense of domestic resources, and on the other, active participation in investment projects that ensure integration into the global economy.

In this regard, President Ilham Aliyev stressed that positive processes within the country, economic growth, social issues, as well as programs for the socio-economic development of regions strengthen the economy of Azerbaijan, and as a result, the country's economy is growing rapidly. Today, Azerbaijan is one of the countries attracting attention in the world due to these achievements [5].

President Ilham Aliyev, emphasizing the importance of energy and communication projects implemented by the European Union and the United States in the South Caucasus for the economy of the Republic of Azerbaijan, noted that the launch of the BTC NBK (Baku-Tbilisi-Ceyhan oil pipeline) was an important milestone. According to the President, the launch of the Baku-Tbilisi-Ceyhan oil pipeline, followed by the construction of the Baku-Tbilisi-Erzurum gas pipeline and the implementation of other major projects, such as the construction of the Kartal-Tbilisi-Baku railway, determine the long-term development strategy of Azerbaijan and will be factors that will strengthen the country's economic potential for decades to come [5].

The data on Azerbaijan's economic development during the period under review confirm that the energy strategy has played an important role in the success achieved. In the period from 2003 to 2013, Azerbaijan's economy grew 3.4 times in real terms, non-oil sectors – 2.7 times (industry – 2.8 times, agriculture – 1.5 times, construction – 7 times, transport and ICT – 3.2 times, foreign trade – 8.8 times). The state budget has increased 19 times. 110 billion manats have been invested in the economy over the years. For the development of the economy and social sectors, 84 billion manats were allocated to fixed assets, of which 49% were public investments, and 51% were private [1, pp. 7–8].

During the decade, 5 international airports, 4 bus terminals, 4 metro stations were built and put into operation, 14 passenger and cargo ships, 27 passenger aircraft were purchased, 31 bridges and new highways with a length of 726 kilometers were built, gas pipelines with a total length of 8.4 thousand kilometers were laid. As a result of the construction of 14 power plants, the capacity of power plants increased by 21% [1, pp. 7–8].

All these achievements have become possible due to the improvement of the business environment in the country. The share of private enterprises in the total volume of production exceeded 81%. In 2013, the country's gross domestic product (GDP) increased by about 6%. If we take into account that in most countries of the world this figure was 0.5–1.5%, then this was certainly a significant achievement. During the study period, an average of \$20–22 billion was invested in the country's economy annually, and in 2013 this figure reached a record of \$28 billion, of which \$17.5 billion was domestic investment. Another important indicator was the 9.8% increase in the volume of the non-oil sector [8, vol. 61, p. 38].

One of the key indicators of the country's development was foreign exchange reserves, which grew annually and reached \$50 billion in 2013, accounting for 70% of GDP. According to this indicator, Azerbaijan occupied one of the leading positions in the world. The country's external debt was only 8% of GDP. The World Economic Forum in Davos ranked Azerbaijan's economy 39th in terms of competitiveness. The unemployment rate in the country was 5%, and the poverty rate was 5.3% [8, Volume 61, pp. 38–39].

During the period under study, work was carried out to expand the transport sector, kilometers of new roads were built, construction of such large transport facilities as the Baku-Tbilisi-Kars railway, a shipyard and a port in Aliyat, and aviation transport was being upgraded. Azerbaijan has also played a key role in the implementation of the Southern Gas Corridor, thus ensuring its crucial role in ensuring Europe's energy security.

Thanks to a focused and comprehensive economic policy, Azerbaijan accounted for three quarters of the economy of the South Caucasus. In the Global Competitiveness Report, Azerbaijan ranked 46th among 144 countries and was ranked first in the CIS four times. In terms of development indicators, Azerbaijan has entered the group of countries with a "high level of human development" and an "above-average income level" [8, vol. 55, p. 44].

During the study period, practical steps were taken to strengthen the country's energy potential, major projects were implemented, especially hydroelectric power plants. The electric energy needed for the Nakhichevan Autonomous Republic, blocked by Armenia, was provided by hydroelectric power plants for almost 100%. In other regions of the country, hydroelectric power plants with a capacity of 25 megawatts were built in Fuzuli, as well as at the Takhtakerpyu reservoir. By the end of the decade, the level of gasification in the country reached 95% [8, vol. 61, pp. 48–49].

Conclusions. There is no doubt that the occupation of 20% of the territory of Azerbaijan by the Armenian armed forces, as well as the carrying out of terrorist acts and genocide against Azerbaijanis in the late 1980s and early 1990s by the Armenian side created great problems for the socio-economic

development of the Republic of Azerbaijan. However, despite this difficult legacy, the successful economic policy pursued first by President Heydar Aliyev and then by President Ilham Aliyev, including a carefully calibrated energy policy, has created a socio-economic and military-political basis for liberating the country from occupation and ensuring territorial integrity in the future.

Since 1994, the successful implementation of energy projects has made Azerbaijan's economy one of the fastest growing in the world. Previously, the country was heavily dependent on external financial sources for the implementation of projects, but since the mid-2000s, Azerbaijan itself has become a lending state, and even provided a loan to the International Finance Corporation. The most important result of the implemented energy policy was the growing advantage of Azerbaijan over Armenia. By the end of the study period, the state budget of Azerbaijan was 10 times larger than the state budget of Armenia, the gross domestic product was 8 times, and the population was 6 times [8, vol., p. 36]. Azerbaijan's potential in all areas was significantly strengthened, while the severe economic and demographic crisis in Armenia was deepening. Revenues from the implementation of energy projects have significantly accelerated economic development, created a national defense industry, and established the production of various types of weapons within the country.

Reforms in the military sphere have strengthened the country's defense potential and increased the combat capability of the armed forces, which, in turn, has led to a completely new situation in the Armenian-Azerbaijani military confrontation. During this period, Azerbaijan significantly increased purchases of modern weapons, ammunition and equipment, which significantly increased the combat capability of the army, and all this created the conditions for a Great Victory in the 44-day Second Karabakh War in 2020, the liberation of the territories occupied by Armenia, and ensuring Azerbaijan's sovereignty throughout its territory.

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