

FACTORS INFLUENCING THE STRENGTHENING OF AZERBAIJAN'S INTERNATIONAL ECONOMIC RELATIONS DURING THE PRESIDENCY OF HEYDAR ALIYEV (1993-2003): A VIEW FROM THE GULF

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Abstract. This paper aims to shed light on the role of President Heydar Aliyev (1993-2003) in strengthening Azerbaijan's international economic relations. This paper represents the point of view of the researcher, as she is one of the few specialists in the study of the Caucasus region in the Gulf region. The research method of this paper is structuralism that helped studying the structural factors that influenced President Aliyev's policy towards Azerbaijan's international economic relations. The field study represented by personal meetings with a number of figures who are interested in the Azerbaijani affairs in the State of Kuwait was also used. The results are that the strengthening of Azerbaijan's international economic relations is the outcome of a number of structural factors, the most important of which are: the political leadership of President Aliyev, Azerbaijani foreign policy emphasized the importance of international economic relations, and the economic reforms of President Aliyev that required international economic openness. The conclusion is that all these structural factors played an important role in strengthening Azerbaijani relations with the Gulf countries, which represented one of the most important economic partnerships expressing Azerbaijan's distinguished international and regional economic relations.

Açar sözlər: beynəlxalq iqtisadi əlaqələr, enerji diplomatiyası, siyasi liderlik, xarici siyasət, maliyyə islahatı, Azərbaycan-Kəş münasibətləri

HEYDƏR ƏLİYEVİN PREZİDENTLİYİ DÖVRÜNDƏ (1993 – 2003) AZƏRBAYCANIN BEYNƏLXALQ İQTİSADI MÜNASİBƏTLƏRİNİN GÜCLƏNMƏSİNƏ TƏSİR EDƏN FAKTORLAR: KÖRFƏZ DƏN BAXIŞ

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Xülasə. Bu məqalə Azərbaycanın beynəlxalq iqtisadi əlaqələrinin möhkəmləndirilməsində Prezident Heydər Əliyevin (1993 – 2003) rolunu işıqlandırmaq məqsədi daşıyır. Bu məqalə tədqiqatçının nöqteyi-nəzərini əks etdirir, çünki o, Körfəz regionunda Qafqaz regionunu öyrənən azsaylı mütəxəssislərdən biridir. Bu işin tədqiqat metodu Prezident Əliyevin Azərbaycanın beynəlxalq iqtisadi münasibətləri ilə bağlı siyasətinə təsir edən struktur amilləri öyrənməyə kömək edən strukturalizmdir. Küveytdə Azərbaycanla maraqlanan bir neçə xadimlə şəxsi görüşlərdən ibarət sahə araşdırmasından da istifadə edilmişdir. Nəticələr ondan ibarətdir ki, Azərbaycanın beynəlxalq iqtisadi əlaqələrinin möhkəmlənməsi bir sıra struktur amillərin nəticəsidir ki, bunlardan ən mühümləri bunlardır: Prezident Əliyevin siyasi rəhbərliyi, beynəlxalq iqtisadi əlaqələrin əhəmiyyətini vurğulayan Azərbaycanın xarici siyasəti və Prezident Əliyevin beynəlxalq iqtisadi açıqlığı tələb edən iqtisadi islahatları. Nəticə ondan ibarətdir ki, bütün bu struktur amillər Azərbaycanın görkəmli beynəlxalq və regional maliyyə əlaqələrini ifadə edən ən mühüm iqtisadi tərəfdaşlıqlardan birini təmsil edən Körfəz ölkələri ilə Azərbaycanın əlaqələrinin möhkəmlənməsində mühüm rol oynamışdır.

Keywords: international economic relations, energy diplomacy, political leadership, foreign policy, economic reform, Azerbaijan-GCC relations

ФАКТОРЫ, ВЛИЯЮЩИЕ НА УКРЕПЛЕНИЕ МЕЖДУНАРОДНЫХ ЭКОНОМИЧЕСКИХ СВЯЗЕЙ АЗЕРБАЙДЖАНА В ПЕРИОД ПРЕЗИДЕНТСТВА ГЕЙДАРА АЛИЕВА (1993-2003): ВЗГЛЯД ИЗ ЗАЛИВА

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Аннотация. Целью данной статьи является пролить свет на роль президента Гейдара Алиева (1993-2003 гг.) в укреплении международных экономических связей Азербайджана. Данная статья представляет точку зрения исследователя, поскольку она является одним из немногих специалистов по изучению Кавказского региона в регионе Персидского залива. Методом исследования данной статьи является структурализм, который помог изучить структурные факторы, повлиявшие на политику президента Алиева в отношении международных экономических отношений Азербайджана. Также было использовано полевое исследование, представленное личными встречами с рядом деятелей, интересующихся азербайджанскими делами в Государстве Кувейт. Результаты показывают, что укрепление международных экономических связей Азербайджана является результатом ряда структурных факторов, наиболее важными из которых являются: политическое руководство президента Алиева, внешняя политика Азербайджана подчеркнула важность международных экономических отношений, а также экономические реформы президента Алиева, который требовал международной экономической открытости. Вывод состоит в том, что все эти структурные факторы сыграли важную роль в укреплении отношений Азербайджана со странами Персидского залива, которые представляли собой одно из наиболее важных экономических партнерств, отражающее выдающиеся международные и региональные экономические отношения Азербайджана.

Ключевые слова: международные экономические отношения, энергетическая дипломатия, политическое лидерство, внешняя политика, экономическая реформа, отношения Азербайджан-ССАГПЗ

Introduction

The founder of modern Azerbaijan, President Heydar Aliyev, played an important role in strengthening international and economic relations of Azerbaijan. Since independence in the early 1990s, Azerbaijan has actively participated in international economic relations with the aim of promoting trade, attracting foreign investment and strengthening economic cooperation with other countries. President Heydar Aliyev deeply believed that international economic relations facilitate trade and economic exchange between countries. Trade allows countries to specialize in the production of goods and services in which they have a comparative advantage, leading to increase efficiency and economic growth. In sum, International economic relations are vital for promoting trade, economic growth, access to resources and markets, job creation, poverty reduction, technological advancement, regional integration, and financial cooperation. By fostering economic cooperation and interdependence, nations can enhance their prosperity, improve living standards, and promote global economic stability. This paper argues that factors affecting the strengthening of Azerbaijan's international economic relations during the presidency of Heydar Aliyev including, the political leadership, the foreign policy and the economic reform. These factors helped to shape Azerbaijan foreign policy toward the international community including the Gulf cooperation council states, which sought to build strong relations with Azerbaijan in all fields, especially economic and development.

1. The Role of the Political Leadership of Heydar Aliyev

Heydar Aliyev (1923 – 2003) was the founder of the modern independent Azerbaijan (1993 – 2003). He was born on May 10, 1923, in Nakhchivan, Azerbaijan, which was part of the Soviet Union at the time. During his time in the Soviet Union, Aliyev has various positions including serving as the First Secretary of the Azerbaijani Communist Party and as a member of the Politburo of the Communist Party of the Soviet Union. In 1987, he was appointed as the first Deputy Chairman of the Council of Ministers of the USSR, which was the second-highest position in the Soviet Union. (Andrianov & Alimov, 2008)

After the collapse of the Soviet Union, Aliyev returned to Azerbaijan and played a crucial role in the country's political landscape. He became the Chairman of the Azerbaijani Supreme Assembly in 1990 and was elected as the President of Azerbaijan in 1993. Aliyev's presidency was marked by his efforts to stabilize the country, establish a strong central government, and promote economic development. Under Aliyev's leadership, Azerbaijan experienced significant political and economic changes. He implemented market reforms, attracted foreign investments, and focused on developing the country's oil and gas industry. His policies helped Azerbaijan to recover from the economic challenges it faced after gaining independence (Sultanov, 2023).

2. Main Aspect of Azerbaijan's International Economic Cooperation

Azerbaijan's international economic relations continue to evolve, driven by its efforts to diversify the economy, attract foreign investment, and strengthen trade and economic cooperation with countries around the world. Therefore, major aspects of Azerbaijan's international economic policy including:

- Economic partnership and trade agreements: Azerbaijan is a member of the organization

of the Black Sea Economic Cooperation (BSEC), and the Economic Cooperation organization (ECO).

- **Energy export:** Azerbaijan is a significant exporter of oil and gas. The country has established energy partnerships and export routes, such as the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Southern Gas Corridor, the Baku-Tbilisi-Erzurum (BTE) gas pipeline to supply energy resources to international markets.

- **Investment Promotion:** the government provides incentives to attract foreign direct investment (FDI) through its agencies such as the Azerbaijan Investment Company and the Azerbaijan Export and investment Promotion Foundation (AZPROMO).

- **Infrastructure development projects** including transportation networks and projects like the Baku-Tbilisi-Kars railway and the Baku international Sea Trade Port are important in boosting regional trade.

- **Economic Diplomacy** including participation in forums, summits, and trade missions

- **The collaboration** with the international financial institutions such as the World Bank, The IMF, and European Bank of Reconstruction and Development (EBRD).

Thus, all these measures played in strengthening Azerbaijan's international economic relations, as it was able to open horizons for many regional and international partnerships. By doing so, Azerbaijan has become an attractive environment for investment and international trade.

3. The role of foreign policy in strengthening Azerbaijan's international economic relations

Heydar Aliyev pursued a foreign policy that helped to enhance Azerbaijan's international economic relations. He focused on safeguarding Azerbaijan's national interest, resolving the Nagorno-Karabakh conflict, and strengthening bilateral and multilateral relations with other countries (Sammut, 2009). Therefore, major aspects of Aliyev's foreign policy including:

- **Resolution of Nagorno-Karabakh conflict:** he sought a peaceful settlement based on the principles of territorial integrity and the return of occupied Azerbaijani territories. He engaged in negotiations with Armenia and participated in international mediation efforts, including the Organization for Security and Cooperation Minsk Group to find a peaceful solution to the conflict (Bakhsaliyeva, 2018).

- **Energy Diplomacy.**

- **Strengthening Bilateral Relations.**

- **Regional Cooperation:** Azerbaijan actively participated in regional organizations such as the Commonwealth of Independent States (CIS) and the GUAM Organization for Democracy and Economic Development.

- **Multilateral Engagement:** Azerbaijan became a member of organizations such as the United Nations (UN), OSCE, and Non-Aligned Movement (NAM).

- **Balancing International Relations** (Mammadyarov, 2009).

- **Thus, Aliyev secured all measures in foreign policy that ensure balancing international relations.** These measure, also helped Azerbaijan to maintain friendly ties with various countries and blocs while safeguarding Azerbaijan's sovereignty and national interests. He sought to diversify Azerbaijan's foreign relations and avoid overreliance on any single county or allian

4. Aliyev's contributions to economic reform

Economic reform has played a fundamental role in strengthening Azerbaijan's international economic relations. The Azerbaijani's economy is classified as an emerging market economy that has undergone significant transformation since gaining independence from the Soviet Union in 1991. Azerbaijan has rich oil and gas reserves, which have historically played a crucial role in its economy. However, the government has implemented several major economic reforms aimed at diversifying its economy, attracting foreign investment, and promoting sustainable development. Here are some notable economic reforms:

- **Oil and Gas Sector Reforms:** Azerbaijan has implemented reforms in its oil and gas sector to attract foreign investment and promote efficient resource management. The country has pursued production-sharing agreements (PSAs) with international oil companies and implemented transparent regulatory frameworks to ensure the effective extraction and management of its energy resources.

- **Privatization and Market Liberalization:** Azerbaijan initiated a privatization program to transfer state-owned enterprises into private hands. This program aimed to enhance efficiency, promote competition, and encourage private sector development.

- **Investment Promotion and Infrastructure Development:** Azerbaijan has actively worked to attract foreign direct investment (FDI) through the establishment of investment promotion agencies and the improvement of investment legislation. The country has also invested significantly in infrastructure development, including transportation networks, energy infrastructure, and telecommunications, to support economic growth and connectivity.

- **Non-Oil Sector Development:** Recognizing the need to diversify its economy, Azerbaijan has focused on developing non-oil sectors such as agriculture, tourism, manufacturing, and information technology. Efforts have been made to provide support and incentives for businesses operating in these sectors, including tax breaks, subsidies, and access to financing.

- **Financial Sector Reforms:** Azerbaijan has implemented reforms to strengthen its financial sector and improve banking regulations. This includes enhancing the supervisory framework, promoting financial stability, and fostering a competitive and efficient banking system. Efforts have also been made to promote access to finance for small and medium-sized enterprises (SMEs) and support the development of capital markets.

- **Regional Development Initiatives:** The government has implemented regional development programs to address regional disparities and promote balanced economic growth. These initiatives aim to improve infrastructure, create employment opportunities, and attract investment to various regions of the country (Musayev, 2017).

Therefore, economic reform has become the first engine that directs Azerbaijan's foreign policy towards building international and regional partnerships, which will be positively reflected in the wheel of economic and human development.

5. Azerbaijani – GCC relations

Historically, Kuwait is considered the first Gulf country that strengthened relations with Azerbaijan since the era of the Soviet Union. Seven Kuwaiti students were sent to study in

Soviet Azerbaijan during the seventies, and when they returned, they occupied prestigious places, led by Dr. Walid Al-Busairi, Director of Mubarak Health District (Al-Busairi, 2023). Kuwaiti parliamentary delegations also had the precedence in visiting Azerbaijan in the first years of independence (Ashour, 2023). Since then, Azerbaijan has sought to strengthen economic cooperation with the Gulf Cooperation Council (GCC) member states, which include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Azerbaijan has actively engaged in various economic initiatives and collaborations with these countries. Here are some key aspects of economic cooperation between:

- **Energy Cooperation:** Azerbaijan, as a major oil and gas producer, has engaged in energy cooperation with GCC countries. The GCC states, being significant consumers and investors in the energy sector, have shown interest in Azerbaijan's energy resources and projects. There have been discussions on potential collaborations in areas such as energy exploration, production, infrastructure development, and investment.
- **Investment and Trade:** Azerbaijan has actively sought foreign direct investment from GCC countries. The GCC states, on the other hand, have shown interest in investing in Azerbaijan's infrastructure projects, real estate, tourism, agriculture, and other sectors. Efforts have been made to facilitate trade, improve business relations, and increase the volume of bilateral trade between both sides.
- **Infrastructure and Construction:** Azerbaijan has sought partnerships with GCC countries in infrastructure development and construction projects. There have been discussions on potential collaborations in areas such as transportation, logistics, urban development, and tourism infrastructure. The expertise and investments from GCC countries can contribute to Azerbaijan's ongoing infrastructure development initiatives.
- **Financial Cooperation:** Azerbaijan has engaged with GCC countries in financial cooperation, including discussions on banking and financial services, Islamic finance, and investment opportunities. Cooperation between financial institutions and the exchange of expertise can contribute to the growth and development of Azerbaijan's financial sector.
- **Tourism and Travel:** Azerbaijan has actively promoted itself as a tourist destination to residents of GCC countries. Direct flights, simplified visa procedures, and cultural attractions have attracted tourists from the GCC region. Efforts have been made to further enhance tourism cooperation, including joint marketing campaigns and initiatives to increase tourist flows.
- **Cultural Exchanges and People-to-People Connections:** Azerbaijan has sought to strengthen cultural exchanges and people-to-people connections with GCC countries. Cultural events, exhibitions, festivals, and educational exchanges have been organized to promote cultural understanding and foster closer ties between sides (General Secretariat of the Gulf Cooperation Council, 2023).

It is important to note that the extent and nature of economic cooperation between Azerbaijan and the GCC countries may vary among individual countries within the GCC and over time. Bilateral relations are influenced by various factors, including economic interests, political dynamics, and regional developments.

However, there are several challenges that need cooperation between both sides to overcome it including, competition in energy markets, limited awareness, and regional political dynamics. The complex regional political dynamics in the Middle East and the South Caucasus region can also influence the relationship between Azerbaijan and the GCC states. Therefore,

efforts to overcome these challenges can be made through sustained diplomatic engagement, increased business interactions, cultural exchanges, and joint initiatives that leverage the respective strengths and interests of both sides (Al-Mulaifi, 2023).

Conclusion

In conclusion, the role of President Heydar Aliyev as the founder of modern Azerbaijan is a decisive role in leading the Azerbaijani economy to the ranks of emerging and economically promising countries. It has been shown that the structural factors represented by the political leadership, the pillars of foreign policy, and economic reform had the greatest impact on strengthening Azerbaijan's international economic relations. This was reflected in Azerbaijan's success in building regional partnerships, including Azerbaijan's partnership with the Gulf states. And that was the solid start that secured for Azerbaijan a rising developmental and economic future led by the contemporary political leadership towards a better future.

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