

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Science

**THE ROLE OF FOREIGN CAPITAL IN THE  
DEVELOPMENT OF THE OIL AND GAS INDUSTRY OF  
THE REPUBLIC OF AZERBAIJAN**

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## GENERAL CHARACTERISTICS OF THE DISSERTATION

**Relevance of the topic and degree of development.** The people of Azerbaijan regained their state independence in 1991 and entered a new stage of development in their centuries-old history. With the collapse of the great empire, the complex tasks faced in the direction of overcoming the crisis that covered all areas of the country's life at that time necessitated the implementation of comprehensive and radical reforms. However, the lack of advanced technology and acute financial shortage prevented the implementation of important changes and the solution of global socio-economic problems. Therefore, the issue of attracting the world's prestigious companies and foreign investment to Azerbaijan has become an urgent task of the day. In this regard, the oil industry, which is the leading sector of the country's economy, had great potential. So, even before the collapse of the USSR, well-known foreign companies showed special interest in Azerbaijani oil. Negotiations on the establishment of cooperation with those companies became more intensive after independence. However, different opinions were put forward regarding the direction of foreign capital to the oil industry. Those who doubted the political importance and economic efficiency of cooperation with world companies in this field suggested to be more cautious and to act independently.

It should be noted that until then, unlike other areas of the economy, Azerbaijan had a great historical experience of the participation of foreign capital in the oil industry. In modern times, in the process of establishing partnership relations with foreign investors, referring to the past experience, it would be possible to take advantage of its positive aspects and international practice.

It is known that although Azerbaijan is an ancient oil country, hydrocarbon resources have started to play an important role in the socio-economic and political life of Baku and its surrounding regions, as well as the whole of Russia, only since the last quarter of

the 19th century. In 1872, the elimination of the monopoly in oil extraction with the abolition of the conservative system of discipline opened favorable opportunities for a strong flow of foreign capital to this field, along with local investors. The development of entrepreneurship accelerated the introduction of new technology and resulted in the industrial revolution in the oil fields in the last quarter of the 19th century.<sup>1</sup>

The initiative of foreign investors was of particular importance in the implementation of technical improvements. A number of innovations implemented, including the construction of a pipeline connecting the mine, factory and seaport on a large scale, the use of wagons-tanks (cisterns) and tankers, were directly related to oil during that period. It is connected with the name of the Nobel brothers who entered the industry. The introduction of new industrial techniques and methods, as well as the merciless exploitation of productive fields, led to an increase in oil production. The Baku oil region, which reached the United States in terms of production in 1894, soon overtook it and maintained its world leadership until 1901.<sup>2</sup>

It cannot be denied that the oil factor, in addition to being one of the causes of the First and Second World Wars, also played an important role in achieving victory on the battlefields and in the recovery and development of the economy in the years after the war. As one of the leading sectors in the economy of the Russian Empire and the Soviet Union for a long time, Azerbaijan's oil industry had a unique place and decisive importance in these processes. However, since the mid-1950s, a sharp change occurred in the attitude of the Soviet leadership towards the Azerbaijani oil industry. According to

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<sup>1</sup>İsmayılov, M.Ə. Azərbaycan neft sənayesinin inqilabaqədərki tarixi / M.Ə.İsmayılov, M.C.İbrahimov. – Bakı: Elm, – 1991. – s. 95-99; Мурадалиева, Э.Б. Кровь земная – нефть Азербайджана и история. Книга 1. / Э.Б.Мурадалиева. – Баку: Мутарджим, – 2005. – s.18.

<sup>2</sup>Мурадалиева, Э. Б. Кровь земная – нефть Азербайджана и история. Книга 1. / Э. Б. Мурадалиева. – Баку: Мутарджим, – 2005. – s.18.

the decision of the USSR government dated July 9, 1954 "On measures for the further development of the oil industry" citing the high cost of oil production in Absheron and the depletion of deposits. the oil industry of Azerbaijan was classified as an inefficient production area, and the capital investment necessary for its needs was reduced twice.<sup>3</sup> In contrast to dry oil fields that are running out, the fact that the operational period of sea mines is less and the main part of the capital investment is directed to those fields as a perspective field ensured that the production here remained stable for the time being. But the socio-economic and political crisis that has escalated in the USSR also dealt a heavy blow to the oil industry. The dependence of the Soviet economy on oil decided the fate of the "cold war" with the United States in favor of the White House. The influence of the oil factor, which gained strategic importance during the "Cold War", increased even more after the end of the conflict between the two political blocs.

In modern times, oil plays an important role in the provision of energy security and socio-economic development of every country. In Azerbaijan, which has embarked on the path of independent state building, oil played the role of a locomotive in the field of economic revival, establishment of social welfare, strengthening of political independence and international positions. It should be noted that in order to benefit from the oil factor for the sake of national interests, Azerbaijan went through intense domestic political processes and severe geopolitical pressures. The young state solving complex tasks was the logical result of President Heydar Aliyev's decisive and consistent political line.

At that time, the special interest of foreign companies and Western countries in the rich hydrocarbon resources of Azerbaijan, which tried to use all its opportunities to protect independent statehood, was objectively and wisely assessed and skillfully used by President Heydar Aliyev, who attached great importance to the

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<sup>3</sup>Алиев, И. Каспийская нефть Азербайджана / И.Алиев. – Москва: Известия, – 2003. – s.100-101.

establishment of mutual political and economic relations with the international world.<sup>4</sup>

In the early 1990s, with the signing of the "Contract of the Century", which opened the way for foreign investment in Azerbaijan, which was known as a turbulent and risky place from the political, economic and military point of view, the oil factor was directed to the service of the country's strategic interests. Strengthening political independence, building a liberal economy based on advanced world experience, ensuring social welfare, and creating a modern industrial and energy-communication infrastructure with the wide involvement of foreign capital combined the multifaceted field of activity. The in-depth research of the process of preparation and implementation of the oil strategy established by the "Contract of the Century" is of urgent scientific interest. Thus, the study of the problem helps to characterize the situation of the oil industry, which traditionally plays an important role in the economic life of Azerbaijan, on the eve of independence, to reveal the factors that determine the extensive cooperation with foreign companies, and to identify the main principles of partnership with foreign investors. At the same time, the research is important in terms of analyzing and evaluating the policy and specific measures implemented by Azerbaijan in that period for balancing various geopolitical and geoeconomic interests in the region, protecting national interests despite strong pressures.

In addition, the political and economic analysis of the signing of numerous agreements after the "Contract of the Century", the investigation of the government's policy in the field of application of modern technologies and the creation of a diversified export system, cooperation with multinational companies, oil and gas industry in

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<sup>4</sup>Heydər Əliyev: [2 cilddə] / Baş red. Y.Mahmudov. – Bakı: "Turxan" NPB, – c. 2. – 2013. – 704 s.; Hüseynova, İ.M. Müstəqil Azərbaycan dövlətinin yaradıcısı / İ.Hüseynova. – Bakı: Təhsil, – 2004– 416 s.; Mahmudov, Y. Azərbaycan tarixində Heydər Əliyev şəxsiyyəti / Y.Mahmudov. – Bakı: Təhsil, – 2002. – 328 s.

Azerbaijan. It provides rich material for evaluating the impact on the reconstruction and socio-economic development of the country.

At the same time, the study of the discussed topic can contribute to the full characterization of Azerbaijan's role in ensuring the energy security of the region and European states, as well as the importance of the oil factor and cooperation with foreign companies in strengthening the country's international positions.

The study of the mentioned issues also helps to gain a deeper understanding of the main aspects of the oil strategy formed in the 90s of the 20th century and to determine its compatibility with the strategic interests of the Republic of Azerbaijan, which is faced with a complex choice at crucial moments.

The development of the oil and gas industry, cooperation with foreign companies, the socio-economic situation of the country, geopolitical situation, international positions, etc. issues related to its influence have begun to attract more and more scientific interest. However, the studied subject, apparently, due to the difficulty of objective historical assessment in a short period of time, has not yet become an object of independent scientific research in a complex manner. However, certain aspects of the problem have been investigated from different angles of analysis (mainly geopolitical and political).

Among the works dedicated to the study of oil history in Azerbaijan, Ilham Aliyev's monograph published in Moscow in 2003 should be specially mentioned due to its fundamental approach, scope, and rich material base.<sup>5</sup>

The work shows the political, economic, and geostrategic importance of Caspian oil, the process of preparation and signing of the "Contract of the Century" is investigated, and its influence on the formation of the oil strategy is noted. Also, the transportation routes of the Caspian hydrocarbon reserves to the world market are reviewed, their economic and geopolitical characteristics are given,

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<sup>5</sup>Алиев, И. Каспийская нефть Азербайджана / И.Алиев. – Москва: Известия, – 2003. – 712 с.

and the strategic interests of ambitious states are evaluated. However, since the chronological framework of the study was limited to 2001-2002, a number of important issues related to the implementation of the oil strategy in the subsequent period were not the object of investigation.

E.Kh.Nasirov's book on the subject under study emphasizes the economic and political importance of a number of contracts signed with foreign oil companies, it is stated that the Baku-Ceyhan export pipeline option is highly likely to be realized.<sup>6</sup>

In the fundamental work of Ch.Sultanov dedicated to the world oil business, the historical development path and potential opportunities of Azerbaijan's oil industry are extensively analyzed. Reviewing the preparation and signing of the "Contract of the Century" from the prism of the impact of events taking place on a global and local scale, the author highly appreciates the purposeful and competent activity of Heydar Aliyev.<sup>7</sup> The issues regarding the adoption of the decision on the route of the main export pipeline were examined in detail in the book published by N.Aliyev, M.Mirzayev and E.Shahbazov.<sup>8</sup>

The problems that appeared in the field of pipeline construction and the measures taken to eliminate them were not the object of the research because they covered the period after the publication.

The book written jointly by N.Aliyev, X.Yusifzadeh and E.Shahbazov is dedicated to the development of the oil and gas industry during the time when the national leader Heydar Aliyev led

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<sup>6</sup>Nəsirov, E.X. Azərbaycan nefti və beynəlxalq müqavilələr (1991-1999) / E.X.Nəsirov. – Bakı: Respublika Xatirə Kitabı, – 1999. – 104 s.

<sup>7</sup>Султанов, Ч.А. Прерванный полёт. Вторая попытка / Ч.А.Султанов. – Баку: Сабах, – 1997. – 452 с.

<sup>8</sup>Алиев, Н.А. ОЭТ Баку-Тбилиси-Джейхан: от видения к реальности / Н.А.Алиев, М.А.Мирзоев, Э.К.Шахбазов – Баку: Azərbaycan, – 2001. – 168 с.

Azerbaijan. The work also provides brief information about the oil and gas contracts signed before 1999.<sup>9</sup>

In the works of A.Hasanov on the study of foreign policy issues and geopolitical problems of the Republic of Azerbaijan, international relations, geoeconomic and geopolitical aspects of the studied topic are comprehensively analyzed.<sup>10</sup>

E.Polukhov's article dedicated to the "Contract of the Century" is interesting in terms of studying the negotiation process and evaluating the role of the agreement in the country's life.<sup>11</sup>

E.Hajizade's research on the conceptual aspects and prospective goals of the national oil strategy should also be mentioned. According to the researcher's conclusion, while preparing the strategy, it set important goals both locally, regionally and globally.<sup>12</sup>

G.Rzayeva's article dedicated to the energy policy of the state of Azerbaijan shows that the tasks ahead in this field are fully realized. It is noted that the main export pipeline Baku-Ceyhan has

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<sup>9</sup>Əliyev, N. Azərbaycan neft və qaz sənayesi XXI əsrin astanasında / N.Əliyev, X.Yusifzadə, E.Şahbazov – Bakı: [ n.y.], – 2000. – 71 s.

<sup>10</sup>Həsənov, Ə. Müasir beynəlxalq münasibətlər və Azərbaycanın xarici siyasəti. Dərslük / Ə.Həsənov. – Bakı: Azərbaycan, – 2005. – 752 s.; Həsənov, Ə. Azərbaycan Respublikasının milli inkişaf və təhlükəsizlik siyasətinin əsasları / Ə.Həsənov. – Bakı: Zərdabi LTD, – 2016. – 700 s.; Həsənov, Ə. Xəzər-Qara dəniz hövzəsi və Cənubi Qafqazın geoiqtisadiyyatı: Azərbaycanın enerji siyasəti / Ə.Həsənov. – Bakı: Zərdabi LTD, – 2016. – 296 s.; Гасанов, А. Современные международные отношения и внешняя политика Азербайджана. Учебник, 2-ое изд., дополн. / А.Гасанов. – Баку: Zərdabi LTD, – 2013. – 1008 с.

<sup>11</sup>Полухов, Э. «Контракт века» (Проблема в исторической ретроспективе) // Azərbaycan neftinin dünəni, bu günü və sabahı, – Bakı: [ n.y.], – 1997. – с.190-231.

<sup>12</sup>Насизadə, Е. Milli neft strategiyasının imperativləri // – Bakı: Strateji təhlil, – 2011. № 3, – s.163-175.

the potential to occupy an important place in the energy balance not only of Azerbaijan, but also of European countries.<sup>13</sup>

In his article, E.M.Nasirov briefly comments on the development path of the oil and gas industry during the years of independence, and evaluates the achievements made until 2010 and the measures taken in connection with the creation of a diversified export system.<sup>14</sup>

In the study of the problem, the work published as a joint project of the Institute of History of ANAS and the State Oil Company of the Republic of Azerbaijan plays an important role.<sup>15</sup>

In M.Atakishiyev's work on the implementation of cooperation with foreign oil companies, the new oil strategy is considered as an integral part of the process of independent state building in Azerbaijan.<sup>16</sup>

Certain aspects of the problem were the subject of scientific research by G. Aliyev<sup>17</sup>, S. Guliyev<sup>18</sup>, R. Gonaqov<sup>19</sup>, I. Lyutiy and R. Guliyev.<sup>20</sup>

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<sup>13</sup>Rzayeva, G. Azərbaycan dövlətinin enerji siyasəti müstəqilliyin iyirminci ildönümündə: nailiyyətlər, məqsədlər və perspektivlər // – Bakı: Strateji təhlil, – 2011. № 3, – s.199-214.

<sup>14</sup>Nəsirov, E.M. Azərbaycan neft və qaz sənayesi: nailiyyətlər və perspektivlər // – Bakı: Azerbaijan Focus, – 2010. №2 (2), – s.75-84.

<sup>15</sup>Azərbaycan nefti / Layihə rəhb. R.Abdullayev, baş elmi red. Y.Mahmudov. – Bakı: [ n.y.], – 2010. – 352 s.

<sup>16</sup>Atakışiyev, M. Azərbaycanın yeni neft siyasəti və iqtisadi yüksəliş / M.Atakışiyev. – Bakı: Azərbaycan, – 2004. – 264 s.

<sup>17</sup>Əliyev, Q.M. Azərbaycan nefti dünya siyasətində: / siyasi elmlər namizədi dis. avtoreferatı. / – Bakı, 2003. – 28 s.

<sup>18</sup>Quliyev, S.F. Azərbaycan Respublikasının neft strategiyası və Qafqazda təhlükəsizlik problemləri (1991-2008-ci illər): / tarix üzrə fəlsəfə doktoru dis. avtoreferatı. / – Bakı, 2015. – 28 s.

<sup>19</sup>Qonaqov, R. Xəzər hövzəsi və enerji təhlükəsizliyi / R.Qonaqov. – Bakı: Elm, – 2018. – 200 s.

<sup>20</sup>Лютый, И., Кулиев, Р. Государственный нефтяной фонд – как одна из эффективных моделей накопительных фондов в мире // – Bakı: Dırçəliş – XXI əsr, – 2013. №176-177, – s.378-387.

Due to the relevance of the studied topic, it has always attracted the attention of experts and specialists of foreign countries. It is no coincidence that various aspects of Azerbaijan's energy policy have been regularly analyzed and relevant conclusions have been drawn in Western, Turkish and Russian media, as well as in scientific literature. This article and a large group of analytical writings are collected in a book published by the Translation Center under the Cabinet of Ministers of the Republic of Azerbaijan.<sup>21</sup>

In the book of the Turkish economist-scientist O.Nuri Aras, dedicated to the economic development of Azerbaijan during the years of independence (until 2005), it is noted that the agreements signed with foreign oil companies played an important role in the introduction of modern technologies and the reconstruction of the oil and gas industry, and in the expansion of cooperation with the countries of the world.<sup>22</sup> In the articles of M.Ogutchu<sup>23</sup> and O.Okumush<sup>24</sup>, issues related to gas export routes from Azerbaijan to Europe were considered.

In the work of the Russian researcher I.Zaslavsky, published in 2005, that the economic and political factors determining the selection of oil export routes from Kazakhstan with the commissioning of the Baku-Tbilisi-Ceyhan oil pipeline, their connection to the interests of Russia and the situation in this country are investigated.<sup>25</sup> In S.Chernyavsky's work dedicated to the modern

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<sup>21</sup>Azərbaycanın enerji siyasəti Qərb mətbuatında / red. B.Abbasov, A.Eyvazov – Bakı: Azərbaycan Tərcümə Mərkəzi, – 2015. – 288 s.

<sup>22</sup>Aras, O.N. Azərbaycan ekonomisi və yatırım imkanları / O.N.Aras. – Bakü: Qismet, – 2005. – s.210-211.

<sup>23</sup>Ögütçü, M. Azərbaycanın “Şahdəniz-2” layihəsi və “Cənub axını”: potensial təhlükə // Azərbaycanın enerji siyasəti Qərb mətbuatında, – Bakı: Azərbaycan Tərcümə Mərkəzi, – 2015. – s.181-190.

<sup>24</sup>Okumuş, O. Avropa İttifaqı “Nabukko”nu uduzanda Türkiyə nə itirdi? // Azərbaycanın enerji siyasəti Qərb mətbuatında, – Bakı: Azərbaycan Tərcümə Mərkəzi, – 2015. – s.142-146.

<sup>25</sup>Заславский, И. Дело труба. Баку-Тбилиси-Джейхан и казахстанский выбор на Каспии / И.Заславский. – Москва: Европа, – 2005. – 192 с.

history of Azerbaijan, a special place is devoted to the oil strategy. The author evaluates the new energy strategy implemented in the country as an important factor in the socio-economic development of Azerbaijan and the strengthening of foreign relations.<sup>26</sup> Certain aspects of the subject were also studied in the monographs of I. Agakishiyev published in Moscow and St. Petersburg and devoted to the history of the Baku oil industry. The author notes that foreign capital gave impetus to the development of not only the Azerbaijani oil industry, but also other areas of the economy.<sup>27</sup>

Other researchers in Russia are also focusing on the development of hydrocarbon resources of the Caspian Sea and their export to world markets, and the investigation of problems related to the geopolitical and geoeconomic interests of the Kremlin in this region. In this regard, the works of V. Shorokhov<sup>28</sup>, D. Bukin<sup>29</sup>, S. Jiltsov, I. Zonn, A. Ushkov<sup>30</sup> and S. Petrov<sup>31</sup> can be mentioned.

B. Shapagatova's work dedicated to the experience of collecting and using oil revenues in Kazakhstan is interesting in terms of comparative evaluation of the activities of the State Oil Fund of the

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<sup>26</sup>Чернявский, С.И. Десять лет истории Азербайджана: 2003-2013 годы / С.И.Чернявский. – Москва: ФЛИНТА, – 2013. – 400 с.

<sup>27</sup>Агакишиев, И.А. Бакинская нефть и начало каспийского нефтяного бума (1991-2005) / И.А.Агакишиев. – Санкт-Петербург: Алетейя, – 2018. – 452 с.; Агакишиев, И.А. История Бакинской нефтяной промышленности и второй нефтяной бум (вторая половина XIX – начало XXI вв.) / И.А.Агакишиев. – Москва: Вердана, – 2011. – 244 с.

<sup>28</sup>Шорохов, В. Нефть и политика Азербайджана / В.Шорохов. – Москва: МГИМО (У) МИД РФ, – 1997. – 65 с.

<sup>29</sup>Букин, Д. В. Значение Каспийского региона в мировом энергетическом балансе и национальные интересы России: / Автореф. дис. канд. экон. наук. / – Москва, 2000. – 21 с.

<sup>30</sup>Жильцов, С.С. Геополитика Каспийского региона / С.С.Жильцов, И.С.Зонн, А.М.Ушков – Москва: Международные отношения, – 2003. – 280 с.

<sup>31</sup>Петров, С.П. Каспийская нефть как фактор мировой и региональной политики (конец XX – начало XXI вв.): / Автореф. дис. канд. ист. наук. / – Москва, 2005. – 25 с.

Republic of Azerbaijan<sup>32</sup>. American researcher V.Sokor's article analyzes Azerbaijan's gas export policy. The author considers the development of relations with European countries, neighboring Türkiye, and Russia on the transportation of blue fuel.<sup>33</sup>

Some issues related to the studied problem are also investigated in the book dedicated to the energy policy of the three Caspian states published in 2010 in London and New York under the editorship of I.Overland, H.Kjaernet and A.Kendall-Taylor. The authors study the course of Azerbaijan, Kazakhstan and Turkmenistan in the field of development of energy sources and evaluate it mainly from their own political prism – from the aspect of "*strengthening authoritarian power*" in those countries.<sup>34</sup>

The fundamental work of D.Yergin, the well-known author of studies on the history of oil, is of great importance in understanding the theoretical aspects of the dissertation topic more fully than the conceptual point of view. In the book, the turning of oil into a decisive factor in international politics, playing a leading role in the economic and political development of the modern world is consistently analyzed on the basis of rich factual material.<sup>35</sup>

Thus, the study of works on the problem shows that various aspects of the subject under study are reflected in the scientific literature in one way or another. However, the fact that the issue is multifaceted, the continuous and flexible continuation of the energy policy during the past period, the change and enrichment of the oil strategy under the influence of new facts and factors, a

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<sup>32</sup>Шапагатова, Б. Национальный фонд Республики Казахстан: инвестиции в устойчивое развитие / Б.Шапагатова. – Алматы: Фонд Сорос-Казахстан, 2011. – 52 с.

<sup>33</sup>Sokor, V. Azərbaycanın qaz ixracı üçün bir çox variantları // – Bakı: Azerbaijan Focus, – 2010. №2 (2), – s.149-155.

<sup>34</sup>Caspian Energy Politics: Azerbaijan, Kazakhstan and Turkmenistan / Edited by Indra Overland, Heidi Kjaernet and Andrea Kendall-Taylor. – London, New York: Routledge, – 2010. – 184 p.

<sup>35</sup>Ергин, Д. Добыча. Всемирная история борьбы за нефть, деньги и власть / Д.Ергин. – Москва: ДеНово, – 1999. – 968 с.

comprehensive investigation of the subject in a broader chronological framework. In particular, the creation and development of the country's new oil infrastructure, the activities of the State Oil Fund, and its role in solving socio-economic problems should be systematically studied.

The investigation of the problem was carried out on the basis of an in-depth analysis of various types of sources involved in the study. These terms can be divided into several groups according to their origin and character. First of all, the multi-volume collections of decrees, orders, speeches, reports, letters, and interviews of the Republic of Azerbaijan's heads of state - President Heydar Aliyev<sup>36</sup>, who directly led the preparation and implementation of the oil strategy, and İlham Aliyev<sup>37</sup>, who, as the first vice-president of the State Oil Company, made a special contribution to this strategy's formation, and since 2003, as President of Azerbaijan, has actively implemented the country's energy policy - serve as an important source.

In addition, the books published in 1997, "Heydar Aliyev. Azerbaijan's oil in world politics"<sup>38</sup> and "Contract of the Century"<sup>39</sup> contain materials that allow us to follow the sequence of Azerbaijan's political line regarding the preparation and implementation of the oil strategy.

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<sup>36</sup> Əliyev, H. Müstəqilliyimiz əbədidir: [46 cilddə] / H.Əliyev. – Bakı: Azərneşr, – c. 1. – 1997. – 612 s.; c. 14. – 2005. – 520 s.; c. 18. – 2006. – 552 s.; c. 20. – 2007. – 536 s.; c. 26. – 2008. – 512 s.; c. 28. – 2009. – 480 s.; c. 30. – 2010. – 512 s.; c. 31. – 2010. – 512 s.; c. 35. – 2011. – 520 s.

<sup>37</sup> Əliyev, İ.H. İnkişaf-məqsədimizdir: [114 cilddə] / İ.Əliyev.– Bakı: Azərneşr, – c. 1. – 2008. – 424 s.; c. 2. – 2009. – 416 s.; c. 3. – 2009. – 416 s.; c. 4. – 2009. – 400 s.; c. 8. – 2011. – 408 s.; c. 10. – 2012. – 408 s.; c. 17. – 2014. – 392 s. ; c. 18. – 2014. – 424 s.; c. 34. – 2016. – 404 s.

<sup>38</sup>Heydər Əliyev. Azərbaycan nefti dünya siyasətində: [5 cilddə] / tərt. ed. İ.Əliyev, A.Muradverdiyev.–Bakı: Azərbaycan, – c. 4. – 1997.– 480 s.; c. 5. – 1997. – 330 s.

<sup>39</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azərneşr, – 1996. – 112 s.

General information-questionnaires and statistical collections about oil contracts form another group of sources.<sup>40</sup> At the same time, "Between two seas. Baku-Tbilisi-Ceyhan Pipeline Project" brochure also includes the technical-economic characteristics of the strategically important export route, its impact on the environment, etc. serves to form broad ideas about.<sup>41</sup>

The nature of the researched topic determines the involvement of different types of statistical materials in the scientific analysis. From this point of view, first of all, it is necessary to show the collections published by the State Statistics Committee of the Republic of Azerbaijan every year, the annual reports of the "BP" company.<sup>42</sup>

Materials on the activities of the State Oil Fund can also be included in the group of sources of this type. One of such sources is the jubilee edition of the Oil Fund, published on the occasion of its 10th anniversary.<sup>43</sup> However, in terms of deeper study of the multifaceted activities of the State Oil Fund, its annual reports are irreplaceable as a rich source.<sup>44</sup>

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<sup>40</sup>Əsrin müqaviləsi. 1994-1999 / – Bakı: [ n.y.], – 1999. – 18 s.

<sup>41</sup>İki dəniz arasında. Bakı-Tbilisi-Ceyhan boru kəməri layihəsi / – Bakı: [ n.y.], – 2002. – 27 s.

<sup>42</sup>BP Azərbaycanda. Davamlı inkişaf haqqında hesabat 2012 / – Bakı: Max Offset, – 2013. – 53 s.; BP Azərbaycanda. Davamlı inkişaf haqqında hesabat 2015 / – Bakı: Max Offset, – 2016. – 35 s.; Azərbaycanın statistik göstəriciləri 1999 / – Bakı: Səda, – 1999. – 440 s.; Azərbaycanın statistik göstəriciləri 2008 / – Bakı: Səda, – 2008. – 774 s.; Azərbaycanın statistik göstəriciləri 2011 / – Bakı: [ n.y.], – 2011. – 848 s.; Azərbaycanın statistik göstəriciləri 2013 / – Bakı: [ n.y.], – 2013. – 804 s.

<sup>43</sup>Azərbaycanın təbii sərvətləri. Azərbaycan Respublikası Dövlət Neft Fondu 10 il / – Bakı: [ n.y.], – 2009. – 56 s.

<sup>44</sup>Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2001 / – Bakı: [n.y.], – 2002. – 62 s.; Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2002 / – Bakı: [n.y.], – 2003. – 64 s.; Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2019 / – Bakı: [n.y.], – 2020. – 78 s.; Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2020 / – Bakı: [n.y.], – 2021. – 66 s.

The documents stored in the current archive of the State Oil Company of the Republic of Azerbaijan (SOCAR) were also used as a source for the study of the topic of the work. Materials of the Investment Department of SOCAR, which plays an important role in conducting negotiations on concluding agreements with foreign companies, preparing and signing contracts, and monitoring their implementation in the subsequent period, are important from this point of view.<sup>45</sup>

In the study of oil strategy issues, the book containing the memoirs of the outstanding geologist, oilman-scientist Kh.Yusifzade has a special place. The book covers different periods of negotiations of the Azerbaijani delegation with foreign companies on the basis of facts, and talks about the problems that have arisen and the steps taken to solve them.<sup>46</sup>

A large group of sources on the subject is made up of periodicals. In the newspapers "Xalq qəzeti", "Azərbaycan", "Respublika", "Бакинский рабочий", which are regularly published as the official organ of state organizations, the presidents of Azerbaijan and foreign countries and Meetings with company managers, their speeches and interviews, analysis and reports on energy policy have been published.

Besides, "Mulkiyyət", "Yeni Azərbaycan", "Ayna", "Yeni Musavat", "Вышка", "Азербайджанские известия", "Зеркало", "Эхо", as well as Russia's "Правда", "Известия", "Российская газета", "Независимая газета" published a wide range of articles and information about the problem.

In the course of the research, the materials of the official websites of the State Oil Fund of the Republic of Azerbaijan and

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<sup>45</sup>Bakı-Tbilisi-Ceyhan Əsas ixrac boru kəmərinin inşasına dair qısa arayış // Azərbaycan Respublikası Dövlət Neft Şirkətinin cari arxivi. Sərmayələr İdarəsi. İş – "İxrac boru kəmərləri haqqında sorğu məlumatları", vərəq – 6-7.

<sup>46</sup>Yusifzadə, X. Ömrümün illəri və izləri / X.Yusifzadə. – Bakı: OSKAR, – 2004. – 284 s.

SOCAR, and the websites of information agencies (AZERTAC, APA, Trend, etc.) were also included in the scientific circulation.

In general, the materials involved in the research made it possible to form a reliable and systematic source-scientific base for the dissertation in terms of content and scope. The used sources comprehensively analyzed the political, economic and geostrategic aspects of the problem and played a fundamental role in obtaining appropriate results for the tasks set.

The chronological framework of the study coincides with the historical path of the Republic of Azerbaijan. Thus, the oil factor, which acquired more pronounced political and economic shades in the years of independence, comes to the fore. Events and historical processes affecting the socio-political, socio-economic life of Azerbaijan, the formation of the oil strategy determined the chronological framework of the research. However, in order to clearly understand the necessity of cooperation with foreign oil companies and the dynamics of development, until 1991 - on the eve of the collapse of the USSR, the state of the oil and gas industry and the negotiations regarding the attraction of foreign capital a brief look at the start-up phase is also given.

The characterization of the implementation of the oil strategy in the years of independence as a continuous process, the fact that foreign investment still maintains an effective position in the development of the oil and gas industry and the country's economy as a whole is within the scope of the chronological framework of the study. created the basis for its expansion until the last years (until 2020-2021).

**The object and subject of the research.** The object of the research is the formation and implementation of the national oil strategy of the Republic of Azerbaijan, the problems of the role of foreign capital in this process, and the subject is the scientific study of the economic and political importance of cooperation with foreign oil companies.

**Research goals and objectives.** The purpose of the dissertation work is to investigate the issues of establishing and implementing cooperation relations with foreign oil companies of the Republic of Azerbaijan, the role of foreign investments in the revival and development of the oil and gas industry, and the socio-economic development of the country. To achieve this goal, the following tasks were defined in the research work:

- Review of the state of the oil and gas industry on the eve of the independence of the Republic of Azerbaijan and study of the factors that determined the signing of the "Contract of the Century";

- Examining the main stages of negotiations with foreign oil companies, the problems arising in the field of reconciling the parties' positions, as well as the measures taken by Azerbaijan to balance various geopolitical interests in the region and protect its own interests;

- Analyzing the main provisions of the "Contract of the Century";

- Economic and political evaluation of the process of strengthening the flow of foreign capital to Azerbaijan's oil and gas industry and the signing of other agreements;

- Implementation of the "Contract of the Century" and study of its impact on the development of the oil and gas industry;

- Studying the issues of cooperation with foreign companies in the field of oil export pipeline system creation. Coverage of measures related to the construction and commissioning of the Northern and Western routes, as well as the Baku-Tbilisi-Ceyhan oil pipeline;

- Analyzing the issues related to the implementation of the "Shah Deniz" contract, the transformation of Azerbaijan into a gas exporting country, and the launch of the Baku-Tbilisi-Erzurum gas export pipeline;

- Studying the policy of cooperation in the field of the emergence and implementation of the "Southern Gas Corridor" project, especially the activities of the Azerbaijani government,

determining the role played by Azerbaijan in ensuring the energy security of European countries;

– Evaluation of the main aspects of the creation and operation of the State Oil Fund, a general examination of its role in the socio-economic development of the country.

**Research methods.** The methodological basis of the research is a complex and critical analysis method based on the problem-chronological principle. In the research process, evaluation of all materials based on historical-scientific approach, methods of systematic and comparative study were chosen as the main criteria.

**Main clauses defended.** The following relevant provisions of the dissertation topic were defended:

– In the late 1980s and early 1990s, the deep crisis that covered the socio-economic life of the entire USSR, including Azerbaijan, caused the decline of the oil and gas industry. Acute lack of funding, technical backwardness, lack of modern technologies led to a constant decrease in oil and gas production. The need to revive the oil and gas industry as an area that can play an important role in the recovery of the newly independent Azerbaijan from the economic crisis and the protection of its political independence conditioned the establishment of cooperation with the supranational companies of the world showing great interest in it and the attraction of foreign investments.

– Although the political and socio-economic processes taking place in Azerbaijan, as well as geopolitical interests in the region, prolonged the progress of the negotiations on cooperation with foreign oil companies and affected its passing through several stages, thanks to the determined position of President Heydar Aliyev (1993-2003), the negotiations reflecting the national interests of the country the "Contract of the century" was signed.

– The "Contract of the Century", which laid the foundation for close cooperation with the world's major oil companies, played an important role in the intensification of foreign capital investment in Azerbaijan and the formation of the national oil strategy. The new oil

and gas contracts signed after him were of great importance in terms of the development of the country's fuel and energy sector and strengthening of its international positions.

– The consistent implementation of the "Contract of the Century" had a significant impact on the increase of oil and gas production in Azerbaijan, the modernization and development of this field, and created a favorable basis for the socio-economic development of the country.

– The construction of a diversified export pipeline system was carried out in the framework of close cooperation with foreign oil companies and international financial institutions, and played an important role in the development of the oil and gas infrastructure and the expansion of the country's international relations. President Heydar Aliyev's policy based on national interests made a significant contribution to the realization of these tasks.

– The successful implementation of the "Shah Deniz" contract with foreign oil companies, which once caused great controversy, made it possible for Azerbaijan not only to meet its domestic gas demand, but also to become a gas exporter.

– The expansion of the gas production potential, effective cooperation with foreign investors has contributed to the successful implementation of the "Southern Gas Corridor" project initiated by Azerbaijan, and to the strengthening of our country's role in ensuring the energy security of a number of European countries.

– The consistently implemented oil strategy stipulated the creation of a special institution - the State Oil Fund of the Republic of Azerbaijan - for the purpose of collecting, managing and using foreign exchange funds entering the country. The fund played an important role in the implementation of the policy of turning black gold into human capital, in solving the tasks of socio-economic and humanitarian development of the country, and continues this function successfully.

**Scientific novelty of the research.** For the first time, the subject of the dissertation was comprehensively involved in scientific

research as an independent research object. A number of new sources related to the problem, including official materials, statistical facts, information from the press, were included in the scientific circulation, and researches were conducted in the following directions:

- The factors determining the cooperation with foreign companies, the formation of the oil strategy, the main principles and the directions of its implementation were extensively analyzed.

- The stages of the negotiation process related to the signing of the "Contract of the Century", the policy of Azerbaijan in the field of reconciliation of geopolitical interests of different countries in the region and the protection of their national interests, the economic and political nature of the first major oil contract were comprehensively investigated.

- The issues of dynamic development of the oil and gas industry with the consistent application of modern technologies and the creation of new infrastructure in cooperation with foreign companies were reviewed in detail.

- Within the framework of the implementation of the oil strategy, the policy of the Azerbaijani government regarding the construction of a diversified export pipeline network was analyzed, the measures taken for the implementation of projects and the elimination of pressures arising from geopolitical interests in the region in the field of construction of pipelines on the Baku-Novorossiysk, Baku-Supsa routes were based on extensive factual material has been studied.

- The geopolitical processes, economic and technical-financial issues surrounding the construction of the Baku-Tbilisi-Ceyhan main export pipeline were deeply investigated by bringing new materials into scientific circulation, and the economic and international political significance of its realization was evaluated.

- For the first time, the works carried out in connection with the implementation of the contract on the "Shahdeniz" gas field and

the commissioning of the Baku-Tbilisi-Erzurum gas export pipeline were analyzed in depth.

– The increasing importance of Azerbaijan as a gas exporter, the reasons for the emergence of the "Southern Gas Corridor" project and the process of cooperation with foreign partners in the field of implementation have been the object of systematic research based on extensive materials.

– The establishment of the State Oil Fund, which is a manifestation of the successful implementation of the oil strategy, and the main directions of its activity have been scientifically investigated with reference to sources for the first time.

**Theoretical and practical significance of research.** The dissertation, dedicated to one of the current problems of modern Azerbaijani history, lays the groundwork for a deeper scientific-theoretical understanding of the issues related to the socio-economic development of the country and the strengthening of its international relations, as well as the investigation of various aspects of the oil strategy as a new research object in the future. The main provisions, results and factual materials of the dissertation are relevant to the study of the issues of independent state building in the Republic of Azerbaijan, the processes taking place in the political and socio-economic spheres, the history of foreign policy, especially the nature of cooperation with multinational companies of the world, the problems of the development of the oil and gas industry, the history of the region and Azerbaijan. It can be used in the writing of generalized works, new research works on oil strategy, textbooks and teaching aids, preparation of program and methodical materials, conducting lectures, special courses and workshops. In addition, the dissertation materials are expected to be useful for specialists and a wide readership interested in the topic.

At the same time, positive energy policy and its positive results are of great practical importance as a good practice in terms of the effective cooperation of Azerbaijan with foreign oil companies, the development of the country, as well as the impact on

the region's stability, security and the formation of mutually beneficial relations. Therefore, this model of cooperation can be attractive for world countries and other companies as an example.

**Research approval and implementation.** The main provisions of the dissertation were reflected in a monograph, articles published in various scientific journals in Azerbaijan and abroad. At the same time, the author's reports on the topic at international scientific conferences (four of them in foreign countries) were published in the materials of those conferences.

**The organization where the dissertation work was performed.** The dissertation work was carried out at the Department of History of Azerbaijan (humanitarian faculties) of Baku State University.

**The structure of the dissertation.** In accordance with the goals and objectives of the dissertation work, "Introduction" – 24 p. (47744 marks), four chapters divided into eleven paragraphs (Chapter I – 54 p., 100484 marks; Chapter II – 80 p., 153695 marks; Chapter III – 44 p., 85195 marks; Chapter IV – 34 p., 62074 marks), "Result" – 13 p. (26524 marks), "Used literature list" and "Abbreviations". The total volume of the main sections of the dissertation is 249 pages, 475715 characters.

## **THE MAIN CONTENT OF THE RESEARCH**

In the "Introduction" part of the dissertation, the relevance of the topic is justified, the degree of development of the problem is investigated, the object and subject of the research, goals and tasks, methods, main provisions defended, scientific innovation, theoretical and practical importance are determined, approval and application are noted, the name of the organization where the work is performed, the structure and scope of the dissertation are shown.

**Chapter I called "Starting cooperation with foreign oil companies. Formation of the national oil strategy"** consists of three paragraphs. The first paragraph entitled "**Factors determining**

**the involvement of foreign capital in the oil and gas industry"** describes the crisis situation of Azerbaijan's oil and gas industry in the 80s and 90s of the 20th century and justifies the need for cooperation with foreign oil companies. It is noted that the oil industry, which has historically played an important role in the economic life of Azerbaijan, had a leading position as an important industrial field both during the Russian Empire and during the years of Soviet rule. However, since the 80s of the 20th century, the deepening economic crisis engulfed the entire socio-economic life of the USSR and dealt a heavy blow to the economy of Azerbaijan, including the oil and gas industry. Azerbaijan, which gained independence in 1991, was deprived of the traditional sales markets and necessary sources of supply that had been formed for many years due to the rapid collapse of the unified political and economic system. On the other hand, as a result of the separatism in Nagorno-Karabakh and the occupation of 20 percent of its territories by the military aggression of Armenia, more than one million Azerbaijanis have become refugees and displaced persons, and have just started the path to independence had a devastating effect on the economic potential of Azerbaijan.

At the same time, the unstable political situation prevailing in the republic slows down the implementation of the necessary reforms that require the transition to the new market economy in the conditions of the bankruptcy of the socialist economic system, deepening the economic crisis, macro-economic and it gave an incentive for the pain to become more and more severe. As a result, the oil and gas industry, which traditionally has leading positions, faced a very difficult situation along with all areas of the economy.

It is known that in the 1980s and 1990s, offshore mines took the leading place in oil and gas production. If in 1990 financial resources in the amount of 572.6 million US dollars were directed to

sea mines, in 1994 this amount was 17.6 million dollars,<sup>47</sup> that is, the financial investment decreased 32.5 times.

In the current situation, the gradual decrease in oil production should be considered legitimate. In 1987 - on the eve of the emergence of Armenian separatism in Azerbaijan and the disruption of socio-political stability, oil production was 14.3 million tons, in 1990 it was 12.5 million tons, in 1994 and it was 9.5 million tons per year.<sup>48</sup> That is, if the production in 1990 decreased by 12.4% compared to 1987, in 1994 it decreased by 33% and made up 67% of the level of 7 years ago. The same situation was observed in the field of gas production.

However, in the second half of the 1980s, the discovery of the rich "Chirag", "Azeri" and "Kepaz" deposits in the deep part of the Caspian Sea showed that Azerbaijan's oil and gas reserves have not yet been exhausted. But for the operation of those deposits, a large amount of investment and more modern technologies were needed. Thus, in the late 1980s and early 1990s, the crisis that spread to all areas of the country's economy caused the oil and gas industry to decline. The lack of financial resources, technical backwardness and the collapse of the Soviet economic system accelerated this process in the oil and gas industry. The continuation of the situation was leading the republic to disaster. Under these conditions, the revived oil and gas industry could play the role of the only economic base (at the same time an important political factor) for the protection of independence and the elimination of the socio-economic crisis. Azerbaijan did not have the necessary financial means and technologies to cope with this difficult task on its own. Therefore, at that time, cooperation with multinational oil companies, which showed great interest in Caspian oil, were able to invest in the

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<sup>47</sup>Neft sənayesinin inkişafında mühüm mərhələ. Prezidentin sərəncamı dəniz neftçilərinin əməyinə verilən yüksək qiymətdir // Azərbaycan. – 1997, 21 dekabr. – s.2.

<sup>48</sup>Алиев, И. Каспийская нефть Азербайджана / И. Алиев. – Москва: Известия, – 2003. – с.138.

required volume and bring modern technologies to this field, became relevant.<sup>49</sup> In this regard, the negotiations with foreign oil companies from the beginning of the 1990s were in the center of attention even in the first years of independence.

Paragraph II called **"Starting negotiations with Western companies. Signing of the "Contract of the Century"** is devoted to the analysis of the negotiation process with foreign companies on the joint development of oil fields in the Caspian Sea and to the assessment of the importance of the signed first oil contract. It is shown that as a preliminary conclusion of the negotiations, by the joint decision of the Ministry of Oil and Gas Industry of the USSR and the Council of Ministers of the Azerbaijan SSR dated January 18, 1991, a tender was announced for the establishment of a joint exploration and development of the Azeri field in the Caspian Sea with the "Hazardenizneft" Production Association. The companies "BP", "Amoco" and "Unocal" participated in the tender. Although "Amoko" won the tender, other companies - "BP/Statoil", "Yunocal", "McDermott", "Remco" with the consent of the Azerbaijani government were also involved in "Azeri" project.<sup>50</sup>

However, the unstable internal situation prevailing in the first years of independence prevented the Azerbaijani government from completing the negotiations. After the election of A. Elchibey as President in June 1992, negotiations with Western companies intensified again. In the same year, agreements were signed with the alliance "BP/Statoil" on the development of the "Dostluq" block

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<sup>49</sup>Mehdiyev, Ə. "Əsrin müqaviləsi": imzalanmanın ilkin şərtləri və Azərbaycanın sosial-iqtisadi inkişafında rolu // 1st International Hazar Scientific Research Conference, Proceeding book, – Baku: Khazar University, – September 18-20, – 2020, – p. 810-820.

<sup>50</sup>Полухов, Э. «Контракт века» (Проблема в исторической ретроспективе) // Azərbaycan neftinin dünəni, bu günü və sabahı, – Bakı: [ n.y.], – 1997. – s.194-195.

(later called "Chirag") and the promising field "Shahdeniz", and with the company "Pennzoil" (USA) on the development of "Güneshli".<sup>51</sup>

But after a year, the change of government as a result of the political processes taking place in the country prevented the signing of the agreement. On June 24, 1993, Heydar Aliyev, who became the President of Azerbaijan, decided to stop negotiations with foreign oil companies. The main reason for taking this decision was the inclusion of information about the existence of certain deficiencies and conditions that do not meet the interests of Azerbaijan in the draft contract.<sup>52</sup>

The suspension of negotiations on the drafting of contracts was met with concern by foreign oil companies and Western countries. In his numerous meetings with their representatives, Heydar Aliyev explained the reasons for the termination of the negotiations and stated that *"the old leadership allowed incompetence and haste in this area", and that the "wise use of oil resources"* noted the necessity.<sup>53</sup>

The Western countries implemented the policy of realizing their geo-economic interests in the Caspian basin through oil companies and put pressure on Azerbaijan. İlham Aliyev, who took part in the negotiations, said that *"his government cannot defend the agreement in its own country, which does not ensure that the income falling on the share of Azerbaijan is received soon."*<sup>54</sup>

In order to increase the commercial efficiency of the project, it was considered appropriate to expand the contract area at the expense of the deep part of the "Guneshli" field. If, as a result of the

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<sup>51</sup>Алиев, И. Каспийская нефть Азербайджана / И. Алиев. – Москва: Известия, – 2003. – с.148

<sup>52</sup>Heydər Əliyev: "Hər bir dövlətin bağladığı müqavilələrə yenidən baxmaq haqqı var // Azərbaycan. – 1993, 23 iyul. – s.1.; Коновалов, В., Иванов-Смоленский, Г. Алиев против Алиева // Известия. – 1993, 4 августа. – с.5.

<sup>53</sup>Əliyev, H. Müstəqilliyimiz əbədidir: [46 cilddə] / H.Əliyev. – Bakı: Azərneşr, c.1. – 1997. – s.62.

<sup>54</sup>Qərб neft şirkətləri konsorsiumu ilə danışıqlarda razılıq əldə olunmamışdır // Azərbaycan. – 1994, 28 iyun. – s.2.

exploitation of the "Azeri" and "Chirag" fields, the income of Azerbaijan would be 210 million tons of oil (75% of the profitable oil under the contract), the 50 million tons added to the project of the deep part of "Guneshli" reserves made it possible for this share to increase by 43 million tons to 253 million tons (80% of the project's profitable oil).<sup>55</sup>

It should be noted that the commercial terms agreed in Istanbul satisfied the participants and were not changed until the agreement was signed.

After overcoming the disagreements, the Istanbul stage of the negotiations ended in July 1994. After studying the report of SOCAR and the information of the representatives of the Western oil companies, the President of Azerbaijan Heydar Aliyev positively assessed the outcome of the negotiations.

Reaching an agreement on the fundamental issues finally allowed us to enter the final stage - to start work on the text of the draft agreement. At the suggestion of Western partners, SOCAR conducted this stage of negotiations in Houston, USA. The negotiation process, which started on July 21, lasted 45 days.<sup>56</sup>

The Houston phase of the negotiations was more tense than expected. Despite the fact that Russia participated in the negotiations by taking a share in the consortium, efforts to use the issue of the legal status of the Caspian Sea as a means of geopolitical influence prompted Western companies to be more cautious. In Houston, foreign oil companies insisted on the inclusion of a provision on the legal status of the Caspian Sea in the oil agreement. According to this provision, even if the oil contract was signed, it would enter into force after the legal status of the Caspian Sea was resolved.<sup>57</sup>

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<sup>55</sup>Qərb neft şirkətləri konsorsiumu ilə danışıqlarda razılıq əldə olunmamışdır // Azərbaycan. – 1994, 28 iyun. –s.2.

<sup>56</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azərneşr, – 1996. – s.14

<sup>57</sup>Respublika Sarayında “Əsrin müqaviləsi”nin beşinci ildönümünə həsr olunmuş təntənəli mərasim. ARDNŞ-in birinci vitse-prezidenti İlham Əliyevin məruzəsi // Xalq qəzeti. – 1999, 21 sentyabr. – s.2

In such a case, the contract would remain on paper for a long time without being implemented. Because the "Convention on the Legal Status of the Caspian Sea" was signed only on August 12, 2018. The constructive position of Azerbaijan was accepted by the US government, represented by more oil companies in the consortium. As a result, on the recommendation of the American government, the Western partners removed the clause on the legal status of the Caspian from the draft agreement.<sup>58</sup>

Thus, the parties agreed on all fundamental issues and managed to prepare the draft contract.

On September 20, 1994, in Baku, among the State Oil Company of the Republic of Azerbaijan and ten oil companies representing the USA, Great Britain, Norway, Türkiye, Russia and Saudi Arabia - "Amoko", "BP" , "Pennzoil", "Yunocal", "Statoil", "McDermott", "Remco", "Türkiye Petrolleri", "Lukoil" and "Delta-Nimir" was signed an agreement on the joint development of the fields "Azeri", "Chirag" and the deep part of the "Guneshli" field and the distribution of oil production.<sup>59</sup>

Among the economic indicators of the project, first of all, it should be noted that the oil reserves in the fields are estimated at 511 million tons. According to the terms of the contract, it was expected that 253 million tons of produced oil would belong to Azerbaijan. 64 million tons will go to foreign oil companies, and 194 million tons will be used to cover capital and operating costs. That is, 80% of the profit oil will go to Azerbaijan, and 20% to foreign companies.<sup>60</sup> In addition, 55 billion cubic meters of natural gas to be extracted in the process of oil production was to be given to Azerbaijan free of charge.

After the signing of the agreement, the attention to it in the international world increased even more. In 1995, the government of

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<sup>58</sup>Yusifzadə, X. Ömrümün illəri və izləri / X.Yusifzadə. – Bakı: OSKAR, – 2004. – s.145-146.

<sup>59</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azər nəşr, – 1996. – s.30-43.

<sup>60</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azər nəşr, – 1996. – s.78-79.

Azerbaijan gave 5 percent of its 20 percent share to the Turkish TPAO company, and 5 percent to the US Exxon company. In 1996, the Japanese company "Itochu" joined the consortium by taking the share of McDermott, which further expanded the geography of the participating countries.<sup>61</sup>

Thus, the process of forming the composition of the consortium continued. In addition to purely commercial interests of oil companies, this process was accompanied by the realization of geopolitical interests of a number of states. It is no coincidence that due to the participation of influential oil companies of a number of leading countries of the world, the large amount of capital investment and the overall serious geopolitical weight, the project soon received the name "Contract of the Century" in international political and economic circles.

The signing of the agreement opened new prospects for the revival and sustainable development of the oil and gas industry, which occupies a leading place in the economic life of the country. At the same time, the agreement provided a strong stimulus to other industries related to the oil industry, as well as infrastructure investment, and created a favorable basis for their development. The works carried out within the framework of the contract were considered important in terms of bringing modern equipment and technologies to the country and ensuring their wide application in various fields.

The project, which opened the way for a large-scale investment flow to the country's economy, was supposed to significantly change the social face of Azerbaijan. It was necessary to create numerous jobs not only in the oil and gas industry, but also in other industrial and infrastructure areas.

By signing the agreement with the consortium of foreign companies, the Republic of Azerbaijan showed its political independence and full ownership of its resources. At the same time,

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<sup>61</sup>Heydər Əliyev. Azərbaycan nefti dünya siyasətində: [5 cildə] / tərt. ed. İ.Əliyev, A.Muradverdiyev. – Bakı: Azərbaycan, – c. 4. – 1997. – s.311.

he confirmed that the economy is open for foreign investments, proving that he has chosen a way of mutually beneficial cooperation with the countries of the world. This step should be considered important in terms of the formation of the international image and strengthening of the positions of Azerbaijan, which has just entered independence. Thus, the agreement paved the way for the development of relations with the countries represented in the consortium - USA, Great Britain, Norway, Russia, Türkiye, Saudi Arabia and, finally, Japan.

Thus, the "Contract of the Century" acts as an important factor in the socio-economic and political progress of Azerbaijan, in the establishment and development of mutual relations with foreign countries, as well as in strengthening its position among the states of the world community.<sup>62</sup> Azerbaijan got an opportunity to get out of the economic recession and political crisis on the path of national revival.

Paragraph III called "**Strengthening the flow of foreign investment in the oil and gas industry. Establishment of the national oil strategy**" explains the process of signing new contracts and indicates their importance. It is noted that the start of long-term activities of the influential oil companies of the West in Baku gave impetus to the elimination of the perceptions that prevailed until then about Azerbaijan being a high-risk place for foreign investments. The government of Azerbaijan made consistent efforts to reconcile the interests of foreign countries and oil companies with the interests of the country.

On November 10, 1995, agreements were signed on the exploration, development and production sharing of the "Karabagh" prospect structure, and on June 4, 1996, the "Shah Deniz" prospect area.<sup>63</sup>

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<sup>62</sup>Мехтиев, А. Нефтяной фактор в истории Азербайджана // – Москва: Вопросы истории, – 2018. №10, – с. 138-144.

<sup>63</sup>Heydər Əliyev. Azərbaycan nefti dünya siyasətində: [5 cilddə] / tərt. ed. İ.Əliyev, A.Muradverdiyev. – Bakı: Azərbaycan, – c. 4. – 1997. – s.192; 254.

Of course, along with economic tasks, political goals were also part of the oil strategy. In 1997, during the official visits of President Heydar Aliyev to France, Russia and the United States, a ceremony was held to sign the next agreements on cooperation in the field of oil production. If you pay attention to the geographical order of the trips, it becomes clear that the route was not chosen by chance. France, Russia, and the United States were influential powers that tried to secure their strategic interests in the South Caucasus and the Caspian region. At the same time, the Republic of Azerbaijan, which is trying to strengthen political and economic relations with all three co-chairs of the OSCE Minsk Group, did not hide its intention to use the oil factor. In general, by the end of 2021, 38 agreements on cooperation with foreign oil companies (22 - on sea, 16 - on land fields and prospective structures) have been signed, of which 22 are currently being implemented.<sup>64</sup>

It can be noted that Azerbaijan was expanding the geography of partner countries and establishing relations with new companies. Canadian and Spanish companies ("Commonwealth oil and gas", "Albert Energy", "Repsol") were included in the contracts, and a few years later, Chinese companies ("SiEnODiSi", "Fortunmayt") joined.

One of the interesting facts that attracts attention in the process of Azerbaijan's cooperation with foreign oil companies is that some fields that have been terminated ("Absheron", "Dan Ulduzu-Ashrafi", "Karabagh", "Muradkhanli", "Jafarli", "Zardab") after a few years, investors showed great interest again and signed new agreements.<sup>65</sup>

Due to the small volume of production and investment, contracts on dry deposits did not cause a big "resonance" and were carried out by creating joint enterprises. Here, SOCAR cooperated

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<sup>64</sup>Азербайджанская нефть – 1998 год // Mülkiyyət. – 1999, 27 yanvar - 4 fevral. – с.4-5; Kərimov, V. Neft sənayesində müştərək müəssisələrin fəaliyyətinin mövcud vəziyyəti // Xalq qəzeti. – 2007, 27 may. – s.7; SOCAR: [Elektron resurs] / SOCAR. URL: <http://www.socar.az/socar/az/home>

<sup>65</sup>Parlament yeni neft sazişlərini təsdiq etdi // Azərbaycan. – 2009, 23 may. – s.3.

with Türkiye's Atilla Dogan Petrol, Malaysia's Land and General Berhard, Germany's Grünwald, China's Shengli oil and other companies.<sup>66</sup>

According to the international agreements signed by SOCAR, the amount of investment to be made in the oil and gas industry of Azerbaijan attracted attention in terms of its impact on the development of the country's economy. According to the calculations, if all the agreements are successfully implemented, foreign investment in the amount of 60 billion US dollars will be invested in the country's oil and gas industry.<sup>67</sup>

Thus, when reviewing the oil and gas contracts signed between SOCAR and foreign companies, a number of key aspects of the oil strategy of the Azerbaijani government can be observed.<sup>68</sup>

First of all, successively signed agreements gradually cover a wide geographical area - from the United States and Canada to China, Malaysia and Japan, from the United Kingdom and Norway to Iran and Saudi Arabia, and various countries and covered geopolitical regions.

At the same time, numerous companies representing different countries and multinational companies joined the contracts. This created a more favorable basis for large-scale capital investment and the application of the latest technologies.

Meanwhile, Azerbaijan, which chose the tactic of participating in the first contracts with a smaller share, set itself the task of realizing great strategic goals. The government of Azerbaijan, which began to implement its geopolitical and geoeconomic intentions by increasingly involving the world's largest companies

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<sup>66</sup>“ANŞAD Petrol” şirkəti ləğv edilib // 525-ci qəzet. – 2009, 20 noyabr. – s.6.; Azərbaycanın neft strategiyası // Mülkiyyət. – 1998, 27 oktyabr – 3 noyabr. – s.2.; Azərbaycan və Çin arasında əməkdaşlığın yeni səhifəsi // Respublika. – 2003, 5 iyun. – s.1.

<sup>67</sup>Şahbazov, E. Heydər Əliyevin neft strategiyası // – Bakı: Dirçəliş – XXI əsr, – 2003. № 67-68, – s.162-165.

<sup>68</sup>Mehdiyev, Ə. Azərbaycanın neft strategiyası: inkişafı və əsas xüsusiyyətləri // – Bakı: Geostrategiya, – 2012. №01(07), – s.5-14.

and leading countries in oil and gas projects, gradually increased its share in the contracts to 50% after a few years. delivered to US companies and "BP" had a better position in the contracts. A little later, French and Japanese companies began to increase their activity and have a large share of participation in some projects. It should be noted as one of the important results that Azerbaijan attracted the world's leading countries, including regional countries (Russia and Iran), as well as supranational companies to agreements on the development of Caspian oil and gas fields, creating great disputes over the legal status of the Caspian Sea. de facto resolved the status issue. Azerbaijan's oil strategy is the main obstacle to the development of the Caspian hydrocarbon resources, moving the issue of legal status from the deadlock and the acceptance of the principle of sector division of the seabed by the neighboring countries (first, the agreement with Russia and Kazakhstan 15 years later, the Convention "On the legal status of the Caspian Sea" was signed between the Caspian littoral states. Negotiations with Turkmenistan and Iran on the coordinates of the division of the sector are continuing.)

The analysis shows that contracts on offshore blocks with large reserves, which require large-scale investment, were mainly signed in the 90s of the last century (until 1999). But even after that, the attention of foreign companies to Azerbaijan's energy resources does not decrease. As a result of this, three major agreements were signed in 2009-2014 and three more in 2018. At this stage, "BP" was maintaining its superior position among its partners.

The amount of investment planned to be invested under the contract made sure that the oil and gas industry would stimulate the locomotive role in the country's economy. This was important in terms of accelerating the socio-economic development of the country.

Finally, the economic importance of oil and gas contracts determined their political role. It is no coincidence that the presidents of the countries or government representatives took part in the

signing ceremony of the agreements, or that the heads of state and government sent congratulatory letters. In some cases, the signing of contracts in the highest state residences (Kremlin, White House, Elysee Palace, etc.) was considered as an indicator of their political weight. The mentioned facts served to strengthen the international positions of Azerbaijan as a whole.

Chapter II entitled **"Implementation of the first oil contract. Releasing Azerbaijani oil to the world markets"** consisting of four paragraphs, discussed the development of the oil industry and the creation of an export pipeline system thanks to the implementation of the "Contract of the Century". Paragraph I entitled **"Contract of the century" and the oil industry's embarking on the path of revival"** shows that cooperation with foreign companies created conditions for the introduction of new technologies in the oil industry and the modernization of its material and technical base. In the construction of new infrastructure in the field of oil and gas production, the material and technical base of the oil industry of Azerbaijan in the previous period played an important role.

As a result of the financial investment of foreign partners, five modern floating drilling rigs named "Dede Gorgud", "Istiglal", "Qurtuluş", "Lider" and "Heydar Aliyev" were commissioned in the Caspian Sea. Technically, these facilities comply with modern world standards, allowing drilling wells with a depth of 7,600 meters to 12,200 meters in water layers of up to 1,000 meters of the sea.<sup>69</sup>

More than 10 ships, including the crane ship "Azerbaijan", the pipeline ship "Israfil Hüseynov", the "Neft-gaz-62" during the implementation of the minimum program of compulsory works, which is the first stage of the huge project. ", "Neft-gaz-64", "Tabriz Khalilbeyli", "Narçe", "Aura" and others. repaired. At the same time, the Zigh iron and concrete pipe coating plant, the office of AIOC, etc. built or rebuilt.

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<sup>69</sup>Xəzərin ən nəhəng, dünyanın müasir neft infrastrukturunu. Prezident İlham Əliyevin çıxışı // Azərbaycan. – 2017, 19 may. – s.2.

Finally, on November 7, 1997, primary oil was produced from the Chirag-1 platform and transferred to the offshore pipeline.<sup>70</sup>

Thus, the first stage of cooperation with foreign oil companies was successfully completed. Oil production in Azerbaijan began to increase year by year. With the full-scale development of "ACG" fields, production increased rapidly. If in 1995 9.2 million tons of oil were produced, in 2010 this indicator reached its peak - 50.8 million tons. Then it gradually decreased to 34.5 million tons in 2020. However, the ongoing backlog in gas production began to disappear only after the start of exploitation works at "Shah Deniz" and reached 37.1 billion cubic meters in 2020 from 5-6 billion cubic meters per year.<sup>71</sup>

In 2019, at the ceremony of the 25th anniversary of the "Contract of the Century", it was noted that 287 million tons of the 492 million tons of oil produced until then reached Azerbaijan as profit. This is 58.3 percent of the total production.<sup>72</sup>

Thus, Azerbaijan, which did not spend financial resources on the project on the development of "ACG" deposits in the first years, has established cooperation with its foreign partners based on principles based on mutual interests. Effective activity in the field of the implementation of the first oil contract has stimulated investment in other oil and gas projects.

The amount of capital investment on more than 30 contracts signed by Azerbaijan with foreign companies was initially estimated at more than 60 billion dollars. However, as a result of creating a

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<sup>70</sup>Heydər Əliyev. Azərbaycan nefti dünya siyasətində: [5 cilddə] / tərt. ed. İ.Əliyev, A.Muradverdiyev. – Bakı: Azərbaycan, – c. 5. – 1997. – s.311.

<sup>71</sup>Azərbaycanın statistik göstəriciləri 2011 / – Bakı: [ n.y.], – 2011. – s.477-478; İqtisadi və statistik göstəricilər: [Elektron resurs] / SOCAR. URL: <http://www.socar.az/socar/az/economics-and-statistics/economics-and-statistics/oil-production>

<sup>72</sup>İlham Əliyev “Əsrin müqaviləsi”nin 25 illiyi və Neftçilər Günü münasibətilə keçirilən mərasimdə iştirak edib: [Elektron resurs] / Azərbaycan Respublikasının Prezidenti İlham Əliyev. – Sentyabr 20, 2019. URL: <https://president.az/az/articles/view/34252>

favorable investment environment for investors, expanding the scope of activities, developing technologies, more than 106 billion dollars were invested in the oil and gas industry of Azerbaijan in 1995-2019 and 85 billion dollars of it is accounted for by foreign investments.<sup>73</sup>

Azerbaijan's profit from the "Contract of the Century" has increased dynamically year by year. From the time when those revenues were collected in the specially created State Oil Fund, i.e. from 2001 to January 1, 2022, from the development of "ACG" fields, 155.4 billion US dollars were transferred to this fund. financial resources have entered.<sup>74</sup> This made up the absolute majority of the total income from oil and gas projects in the past period.

Long-term effective cooperation and great potential of ACG On September 14, 2017, joint development of the Azeri, Chirag fields and the deep part of the Guneshli field and production sharing. resulted in the signing of an amended and restated agreement on the term of the "Contract of the Century" was extended from 2024 to 2050. According to the agreement, SOCAR's participation in the contract was more than doubled from 11.6 percent to 25 percent. In the next 32 years, more than 40 billion dollars will be invested in the project, and more than 500 million tons of oil will be extracted.<sup>75</sup>

Thus, those investments that will be invested in the economy of Azerbaijan will stimulate the country's economic development, opening of new jobs, increase in social welfare, and will have an impact on strengthening its position in the international oil market. In

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<sup>73</sup>Nazir: 1995-2019-cu illərdə Azərbaycanın neft sektoruna 106 milyard dollardan çox investisiya yatırılıb: [Elektron resurs] / Azərbaycan Dövlət İnformasiya Agentliyi (AZƏRTAC). – İyul 24, 2020. URL: [https://azertag.az/xeber/Nazir\\_1995\\_2019\\_cu\\_illerde\\_Azerbaycanin\\_neft\\_sektorun\\_a\\_106\\_milyard\\_dollardan\\_cox\\_investisiya\\_yatirilib\\_1545597](https://azertag.az/xeber/Nazir_1995_2019_cu_illerde_Azerbaycanin_neft_sektorun_a_106_milyard_dollardan_cox_investisiya_yatirilib_1545597)

<sup>74</sup>“Azəri-Çıraq-Günəşli” və “Şahdəniz” üzrə gəlirlər-1 yanvar 2022-ci il tarixinə: [Elektron resurs] / Azərbaycan Respublikası Dövlət Neft Fondu. – Yanvar 06, 2022. URL:<https://www.oilfund.az/fund/press-room/news-archive/1513>

<sup>75</sup>“Azəri-Çıraq-Günəşli” neft yatağının işlənilməsi 2050-ci ilə qədər uzadılır // Azərbaycan. – 2017, 15 sentyabr. – s. 1-3.

general, the enthusiastic investment of foreign companies in the oil fields of Azerbaijan and the fact that the investment exceeded all expectations during the past period brought dynamism not only to the oil and gas industry, but also to the general socio-economic development of the country.

Paragraph II entitled "**Choice and implementation of the Northern export route**" is devoted to the construction of the Baku-Novorossiysk export pipeline. It is noted that the construction of export pipelines was directly related to solving complex political and geostrategic issues, along with economic factors. The interests of the USA, Tükiye, Russia and Iran in the region had a strong influence on the decision-making related to the transportation infrastructure of energy resources. Therefore, it was of great importance to reconcile the political interests of Azerbaijan with the intersecting geostrategic interests in the region along with the economic justification of the plans. The solution of this issue depended on long, intense and comprehensive discussions.

Taking into account the importance of the historically formed mutual relations with Russia, finally, on January 18, 1996, an agreement was signed in Moscow "between the Republic of Azerbaijan and the Russian Federation on the transit of Azerbaijani oil through Russian territory."<sup>76</sup>

It was possible to complete construction works by solving various political and economic problems. On October 25, 1997, Azerbaijani oil was transported through the Baku-Novorossiysk pipeline.<sup>77</sup>

Thus, a strategic choice was made in accordance with the general interests of Azerbaijan under the conditions of time and financial shortage and intense geopolitical struggle. Within the framework of the strategy of diversification of oil export corridors,

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<sup>76</sup>Azərbaycan Prezidenti Heydər Əliyevin Moskvaya səfəri. Azərbaycan – Rusiya sazişləri imzalanmışdır // Xalq qəzeti. – 1996, 19 yanvar. – s. 1.

<sup>77</sup>Azərbaycan neftinin şimal marşrutu ilə nəqlinə başlanmışdır // Azərbaycan. – 1997, 26 oktyabr. – s. 2.

the decision on the construction of the Northern pipeline was adopted and implemented.<sup>78</sup> The commissioning of the first oil pipeline, which continues to operate today, played an important role in the realization of Azerbaijan's oil strategy.

The issues related to the Baku-Supsa oil pipeline are investigated in paragraph III entitled "**Diversification of oil export routes. Western oil pipeline**" of Chapter II. It is shown that on March 8, 1996, an intergovernmental agreement was signed between the Republic of Azerbaijan and Georgia on the transportation of primary oil from the territory of Georgia.<sup>79</sup>

The technical and financial problems that arose during the construction are highlighted, and attention is paid to resolving the differences of opinion between SOCAR and its partners. It is emphasized that due to the fact that Azerbaijani oil is delivered to the world market cleanly without mixing with low-quality Russian Urals oil through the Western pipeline, there was a high interest in the immediate implementation of this project. Thus, it was economically profitable to bring better quality "Azeri Light" oil to the international market.

On April 17, 1999, the official opening ceremony of the Western export pipeline and the Supsa terminal took place in Supsa. The commissioning of the Baku-Supsa oil pipeline was a serious step in the implementation of the "Contract of the Century". This created a stronger basis for diversifying export routes and ensuring energy security.

The economic efficiency of the pipeline for oil companies was conditioned by the determined transportation tariffs. If the tariff for each ton of oil through the Northern pipeline to the port of Novorossiysk was 15.67 dollars, the tariff for transportation of one

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<sup>78</sup>Mehdiyev, Ə. Azərbaycan neftinin şimal ixrac boru kəməri // – Bakı: Geostrategiya, – 2012. №06(12), – s.12-17.

<sup>79</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azərneşr, – 1996. – s.99-110.

ton of oil via the Baku-Supsa Western export route is 3.14 it was dollars.<sup>80</sup>

Thus, the intergovernmental agreement signed in March 1996 on the transportation of primary oil between Azerbaijan and Georgia was implemented within three years. The Baku-Supsa export pipeline began to operate as a route that meets the economic interests of all parties. Along with the economic and financial dividends, the pipeline had its effect on increasing the geopolitical weight of the countries of the region and ensuring peace and security. Therefore, its economic importance and political and geo-strategic role complemented each other. The commissioning of the Baku-Supsa pipeline made a significant contribution to the development of the East-West energy and transport-communication corridor. Finally, along with the Northern route, the Western pipeline played a role as a model for the implementation of the main export pipeline.<sup>81</sup>

In the process of operation of these routes, technical, economic, safety, etc. the experience gained in these areas was important in solving various issues related to the export of large oil in the future.

The issues related to the construction of the Main Export Pipeline (BTC MEP) are analyzed in paragraph IV entitled **"Struggle for the realization of the Baku-Tbilisi-Ceyhan export route: geopolitical and economic aspects"**. On the basis of rich material, the economic and political problems that have arisen in the field of construction of the BTC are widely investigated, and it is noted that the government of Azerbaijan, especially President Heydar Aliyev, has consistently acted to eliminate them. Thus, the issue of the construction of the IPC began to be accompanied by an intense struggle arising from the difficulties of reconciling the commercial

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<sup>80</sup>Əsrin müqaviləsi / tərt. ed. H.Orucov. – Bakı: Azərneşr, – 1996. – 112 s.; Грузия снижает транзитно-нефтяной тариф // Mülkiyyət. – 1998, 17-24 noyabr. – с. 3.

<sup>81</sup>Mehdiyev, Ə. İxrac marşrutlarının şaxələndirilməsi: Bakı-Supsa neft boru kəməri // – Bakı: Geostrategiya, – 2013. №01(13), – s.25-30.

interests of foreign oil companies with the political-economic and geopolitical interests of Azerbaijan.

From the first days, Türkiye and Russia started intense activities for the passage of this pipeline through their territories. Because it promised great political, economic and geostrategic dividends for each country. By supporting the Baku-Ceyhan route, Azerbaijan pursued not only its economic interests, but also its political and geostrategic interests. In this regard, the government of Azerbaijan relied on the support of Türkiye and the United States, whose common interests were aligned. On October 29, 1998, the signing of the "Ankara Declaration", which envisages the transportation of Caspian oil to the world market via the Baku-Tbilisi-Ceyhan route, is related to the IBC. It was a demonstration of serious political will in the period of intense discussions.

Trying to please the investors, Türkiye made concessions in mid-1999 and agreed to gradually reduce the transit tariff from 3.5-4 dollars to 2.6 dollars.<sup>82</sup>

Finally, on November 18, 1999, at the OSCE Summit in Istanbul, the "Agreement on the Transportation of Crude Oil through the Territory of the Republic of Azerbaijan, Georgia and the Republic of Türkiye via the Main Export Pipeline Baku-Tbilisi-Ceyhan" was signed.<sup>83</sup>

The document signed by the presidents of all three countries - H.Aliyev, E.Shevardnadze and S.Demirel - put an end to long discussions and disputes regarding the selection of the main export pipeline route.

At the same time, the "Istanbul Declaration" signed by the presidents of Azerbaijan, Georgia, Kazakhstan, Türkiye and the United States at that ceremony became a new expression of political

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<sup>82</sup>Кесамански, П., Гусейнов, Р. Психологическая атака // Mülkiyyət. – 1999, 25 may – 1 iyun. – с.3.

<sup>83</sup>Azərbaycan Prezidenti Heydər Əliyevin İstanbul görüşləri // Xalq qəzeti. – 1999, 19 noyabr. – s.2.

support for the construction and operation of the Baku-Tbilisi-Ceyhan pipeline.

During his visit to Tbilisi on March 22-23, 2000, President Heydar Aliyev took a decisive step in order to resolve all controversial issues related to transit tariffs once and for all, to speed up the start of construction work and to prevent greater damage that could be caused by delay. He donated 40 years of tariffs of Azerbaijan to Georgia.

Although at first sight this decision of Heydar Aliyev appeared as a position contrary to the economic interests of Azerbaijan, in fact, it was a far-sighted, forward-thinking, and wise step to get out of the situation at that moment. Heydar Aliyev made a strategically important decision in terms of protecting the economic and geopolitical interests of his country. First of all, despite the fact that Azerbaijan is deprived of an estimated income of 30 million dollars a year from transit, as a result of the rapid implementation of the project, it would receive many times more income as a producing country in 40 years. On the other hand, Georgia was of great geopolitical importance for Azerbaijan's access to the West. A strategic partnership with economically developing Georgia was in the interests of Azerbaijan. The transportation of Azerbaijani oil through the territory of Georgia to the world market by a more convenient route and the serious impact of this project on the economic development of both countries will ultimately serve to strengthen their geopolitical position and strengthen their political independence.

Construction works on the Azerbaijani part of BTC, which was laid on September 18, 2002 in Sangachal settlement near Baku, were completed in 2005. On May 25, its opening ceremony was held at the Sangachal terminal. Finally, on May 28, 2006, Azerbaijani oil produced under the "Contract of the Century" reached the Ceyhan terminal through the BTC pipeline. On this occasion, in his address to the people of Azerbaijan, President Ilham Aliyev noted: "This project, which seemed like a legend at the time, is now a reality... It

is a very significant event that Azerbaijani oil entered the Ceyhan terminal. It coincided with the Republic Day. This event also has a great symbolic character. Because the role of the Baku-Tbilisi-Ceyhan oil pipeline in establishing the independence of Azerbaijan is undeniable and very important".<sup>84</sup>

Thus, the construction of BTC MEP, which is an important component of the oil strategy and which Azerbaijan fought hard to build, began to operate. Wide opportunities have been opened for the direct delivery of large oil produced in the Caspian Sea to the world market by a more convenient route. This was important in terms of stimulating the country's economic potential and ensuring rapid development. BTC is considered as a factor that has a serious impact on the deepening of regional economic cooperation, the expansion of political relations and the strengthening of security.

Thus, intersecting geo-economic and geo-political interests in the region manifested in the form of exaggeration of various ecological problems, mobilization of civil society institutions to speak against the project, strengthening of pressures through banking and financial institutions and other obstacles, accompanied all stages of project implementation. Although these factors determine that the process of BTC pipeline implementation will be intense and complex, and cover a long period of time, the effective and purposeful cooperation of Azerbaijan and its partners will successfully fulfill the set tasks resulted in completion. Transporting the large oil produced in the Caspian sector of Azerbaijan to the port of Ceyhan in the Mediterranean Sea, the BTC MEP began to operate as a route of strategic importance in the life of the region.<sup>85</sup> It makes a significant contribution to socio-economic development, political and strategic security not only in Azerbaijan, but also in a wider geographical space.

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<sup>84</sup>Əliyev, İ.H. İnkişaf– məqsədimizdir: [114 cilddə] / İ.Əliyev.– Bakı: Azərneşr, – c. 17. – 2014. – s.173.

<sup>85</sup>Mehdiyev, Ə. Bakı-Tbilisi-Ceyhan əsas ixrac boru kəməri // – Bakı: Dövlət idarəçiliyi: nəzəriyyə və təcrübə, – 2013. №4(44), – s.135-146.

Chapter III of the dissertation is called **"Shah Deniz" contract. The transformation of Azerbaijan into a gas exporting country**" and consists of two paragraphs. In the first paragraph entitled **"Starting the operation of the South Caucasus Pipeline"**, are investigated the implementation of the contract on the "Shah Deniz" field, which has rich gas reserves, and the transformation of Azerbaijan into a country that exports gas to Türkiye and Georgia. It is shown that intensive exploration works in May 1999 "found a large, world-important gas-condensate field in the contract area" and "once again it is necessary to take a serious approach to the issue of gas export from Azerbaijan proved".<sup>86</sup>

The materials included in the research provide an opportunity to shed light on the difficult process of negotiations between Türkiye and Georgia, as well as the signing of contracts. It is noted that for the export of gas to be produced from "Shah Deniz", the consortium, which started at the end of 2004, rapidly carried out the construction of the South Caucasus Pipeline (SCP) from Azerbaijan to the border of Georgia with Türkiye. It was completed in May 2006. "Shah-deniz" gas, transferred to the Sangachal terminal in November 2006, was transported through the Baku-Tbilisi-Erzurum pipeline and on July 3, 2007 Georgia - Türkiye crossed the border. With this, SCP was put into full use in July 2007.<sup>87</sup>

The start of gas production and commissioning of SCP within the framework of the "Shah Deniz-1" program had a significant impact on ensuring the energy security of both Azerbaijan and Georgia. Relying on "Shah Deniz" gas, Azerbaijan refused to import gas from 2007 and decided to meet its domestic demand at the expense of its own reserves. Searches have confirmed that the "Shah

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<sup>86</sup>"Şahdəniz" yatağında əldə edilmiş nəticələrin Azərbaycan Prezidenti Heydər Əliyevə təqdimat mərasimi // Xalq qəzeti. – 1999, 13 iyul. – s.1.

<sup>86</sup>Heydər Əliyev milli neft strategiyasının banisidir // Xalq qəzeti. – 2014, 20 sentyabr. – s.6.

<sup>87</sup>Heydər Əliyev milli neft strategiyasının banisidir // Xalq qəzeti. – 2014, 20 sentyabr. – s.6.

Deniz” field has at least 1 trillion 200 billion cubic meters of gas reserves. As a result of continued exploration, in 2017, Azerbaijan's natural gas reserves were already estimated at 2.6 trillion cubic meters.<sup>88</sup>

The gas potential of the Caspian Sea increased the interest of European countries in Azerbaijan. It is no coincidence that on November 6, 2006, the "Memorandum of Understanding on strategic partnership on energy issues between the Republic of Azerbaijan and the European Union" was signed in Brussels. With this, the prospects of delivering natural gas to the European markets after Azerbaijan's oil have expanded. In 2019, Azerbaijan's share in Türkiye's gas market reached 20%. The role of Azerbaijan in meeting Georgia's natural gas demand was greater - 97%.<sup>89</sup>

Thus, the correction of the "Shah Deniz" field, which caused great controversy at the time of the signing of the agreement, with the excess of forecasts, allowed not only to meet Azerbaijan's domestic demand for natural gas, but also to turn the country into a gas exporter. Effective cooperation with foreign oil companies under the "Shah Deniz" contract, signing agreements based on mutual interests on the construction of a gas export pipeline with neighboring countries, decisively and consistently solving the emerging problems are the key to the successful completion of such an important regional project as SCP resulted in its realization. The launch of this pipeline paved the way for the second stage of development of the "Shah Deniz" field, and created an important base for the implementation of strategic projects such as TANAP and TAP, which ensure the access of Azerbaijani gas to large European markets.

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<sup>88</sup>Azərbaycanın maliyyə imkanları regionda istənilən layihənin həyata keçirilməsinə imkan verir // Azərbaycan. – 2017, 24 fevral. – s.2.

<sup>89</sup>Nazir: Gürcüstanın daxili bazarında qazın 97 %-ni Azərbaycan təmin edir:[Elektron resurs] / Report İnformasiya Agentliyi. - İyun 13, 2019. URL: [report.az/energetika/nazir-gurcistanin-daxili-bazarinda-qazin-97-ni-azerbaycan-temin-edir](http://report.az/energetika/nazir-gurcistanin-daxili-bazarinda-qazin-97-ni-azerbaycan-temin-edir); Türkiyənin qaz bazarında Azərbaycanın payı artır: [Elektron resurs] / Vergilər. – Yanvar 21, 2020. URL: [vergiler.az/news/economy/6734.html](http://vergiler.az/news/economy/6734.html)

In Chapter III, paragraph II entitled "**Formation and Implementation of the Southern Gas Corridor**" is studied the failure of the "Nabucco" project, Azerbaijan's decisive energy policy and purposeful activity related to becoming one of Europe's gas suppliers. It is emphasized that on January 13, 2011, President İlham Aliyev and Chairman of the European Commission H.M. Barroso signed the "Joint Declaration on the Southern Gas Corridor" in Baku.<sup>90</sup>

With this, an important political agreement was reached for the access of Azerbaijani gas to the European market.

It should be noted that all participating states had their own interests in the Nabucco project. Difficulties in the field of reconciliation of interests prolonged the negotiation process. The indecisive behavior of the Western countries, avoiding taking responsibility, turned the "Nabucco" project into an object of endless debate. Therefore, Azerbaijan took the initiative by signing an agreement on the TANAP project with Türkiye in October 2011 and June 2012.

Based on its political-economic and geopolitical interests, Azerbaijan proposed a new format of cooperation with the West. As a result of reconciliation of mutual interests, the TAP project emerged as a continuation of TANAP. With this, the "Southern Gas Corridor" project consisting of "Şahdeniz-2", SCP, TANAP and TAP was formed.

On May 29, 2018, the official opening of the "Southern Gas Corridor", whose foundation was laid four years ago, was held at the Sangachal terminal on the Caspian coast. On June 12, the TANAP pipeline, which is another important part of the project, was commissioned in Türkiye.<sup>91</sup>

With this, an important step was taken towards the completion of the strategically important project for the export of gas

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<sup>90</sup>Sənədlərin imzalanması mərasimi // Azərbaycan. – 2011, 14 yanvar. – s.1.

<sup>91</sup>İlham Əliyevin yeni qlobal layihəsinin – TANAP-ın açılışı Qurtuluş missiyasının növbəti möhtəşəm zəfəri oldu // Azərbaycan. – 2018, 13 iyun. – s.1.

produced in the Azerbaijani sector of the Caspian Sea to the markets of Türkiye and Europe. The construction of TAP, the last segment of this project, was completed in 2020. On December 31 of that year, Azerbaijani gas was transported to Italy through this pipeline.<sup>92</sup> The final cost of the commissioned "Southern Gas Corridor" was estimated at 33 billion US dollars, much less than expected.<sup>93</sup>

This pipeline, which stretches 3500 km from the Caspian Sea to the south of Italy, is a strategically important project in terms of ensuring the energy security, economic and geopolitical interests of Azerbaijan, transit countries and Europe.<sup>94</sup> The "Southern Gas Corridor" will give a new impetus to the development of mutually beneficial, economic and political cooperation of all the countries connected to it, and will serve their social progress.

Chapter IV called "**The creation and the main directions of activity of the State Oil Fund**", consisting of two paragraphs, is dedicated to the investigation of the issues of collection, management and use of oil revenues. In paragraph I entitled "**International practice and Azerbaijani legislation on the activity of sovereign funds**", is given a brief overview of the practice of some countries, and the main aspects of the Kazakhstan model, the legislative base of Azerbaijan in this field are analyzed in general.

Taking into account the world experience and the recommendations of international organizations, the government of Azerbaijan established the State Oil Fund on December 29, 1999. It is shown that the Fund "... collection and efficient management of

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<sup>92</sup>SOCAR: Cənub Qaz Dəhlizi ilə Avropaya ilk qaz çatdırılıb: [Elektron resurs] / Azərbaycan Dövlət İnformasiya Agentliyi (AZƏRTAC). – Dekabr 31, 2020. URL: [https://azertag.az/xeber/SOCAR\\_Cenub\\_Qaz\\_Dehlizi\\_ile\\_Avropaya\\_ilk\\_qaz\\_chat\\_dirilib-1679107](https://azertag.az/xeber/SOCAR_Cenub_Qaz_Dehlizi_ile_Avropaya_ilk_qaz_chat_dirilib-1679107)

<sup>93</sup>"Cənub qaz dəhlizi"nin tamamlanmasından sonra Azərbaycan beynəlxalq bazarlara ixracı artırır. Prezident İlham Əliyevin çıxışı // Azərbaycan. – 2022, 5 fevral. – s.2.

<sup>94</sup>Mehdiyev, A. Enerji Kaynaklarının Naklinde Azerbaycan-Türkiye İşbirliği: "Nabucco"dən "Güney Gaz Koridoru"na // – Ankara: Atatürk Araştırma Merkezi Dergisi, – 2018. № 34/97, – s.241-264.

foreign exchange funds and other incomes received from the sale of profit oil, those funds are important for the development of leading areas and from a socio-economic point of view was created in order to ensure the implementation of projects.<sup>95</sup>

Faced with the need to quickly solve deep socio-economic problems, the government of Azerbaijan considered it necessary to create its own model that reconciles the interests of future and current generations. It was an important event in the socio-economic life of the country when the Fund started to perform its functions directly based on this legal level.

The main areas of the Fund's activity are briefly analyzed in paragraph II entitled "**The main directions of the activity of the SOFAZ**". Based on the institution's annual reports, the dynamics of its total income in 2001-2020 were monitored, and it was emphasized that foreign exchange funds received during that period amounted to 164.9 billion US dollars. At the same time, the collection and expenditure balance of the Oil Fund was reviewed, and the main principles of its activity were highlighted. The research showed that the Fund played an important role in the formation of the state budget and the socio-economic development of the country. Thus, in 2003-2020, 112 billion 140 million manats were transferred from the reserves of SOFAZ to the state budget. In addition, the Fund financed other strategically important projects. Statistical materials provide an opportunity to review the dynamics of the use of funds in these directions in 2001-2020.<sup>96</sup>

It became clear that special attention was paid to the improvement of the social and economic conditions of refugees and internally displaced persons, the construction of BTC, the

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<sup>95</sup>Azərbaycan Respublikası Dövlət Neft Fondunun yaradılması haqqında Azərbaycan Respublikası Prezidentinin Fərmanı: [Elektron resurs] / Azərbaycan Respublikası Dövlət Neft Fondu. URL: <https://www.oilfund.az/storage/images/qqh59kviix.pdf>

<sup>96</sup>Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2001 / – Bakı: [n.y.], – 2002. – 62 s.; Azərbaycan Respublikası Dövlət Neft Fondu. İllik hesabat 2020 / – Bakı: [n.y.], – 2021. – 66 s.

construction of the strategically important Baku-Tbilisi-Kars railway, the Oguz-Gabala-Baku water pipeline, young people in foreign countries, financing of the State Education Program and other important projects has been given priority.

One of the main aspects characterizing the activity of the State Oil Fund is the constant attention to compliance with the principles of transparency and accountability.

Thus, the adoption of the decision on the establishment of the State Oil Fund is considered as a strategically important step in the implementation of the oil strategy, arising from objective necessity, in accordance with the requirements of socio-economic and political factors. Reconciling the challenges of the modern era and the interests of future generations, the Foundation has formed and developed as an efficient institution by fulfilling the tasks set before it. The revenues of SOFAZ have created favorable conditions for the country's financial independence and free economic steps. Collected financial resources, revenue management mechanisms based on international experience have made an invaluable contribution to the protection of the country's macroeconomic stability, socio-economic development and solving important tasks in the field of military construction.<sup>97</sup>

In the "**Conclusion**" the outcomes of the research are summarized, a number of recommendations for the future period of activity are given:

– As it can be seen from the research, the revived oil and gas industry could play the role of the only economic base (at the same time an important political factor) in protecting the independence of Azerbaijan and eliminating the deep socio-economic crisis. At that time, for Azerbaijan, which did not have sufficient potential to cope with this difficult task, cooperation with supranational oil companies,

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<sup>97</sup>Mehdiyev, Ə. Azərbaycan Dövlət Neft Fondunun sosial və infrastruktur layihələrində iştirakı // UMTEB International Kongress on Vocational and Technical Sciences-X, Full Text Book, – Nakhchivan: Nakhchivan University, – October 16-18, – 2020, – p.471-476.

which showed great interest in Caspian oil, were able to invest in the required volume and bring modern technologies to this field, was a vital necessity.

– The study of the topic shows that the periodic changes of political power in Azerbaijan and the strategic tasks arising from the country's national interests led to the prolongation of the process of negotiations with foreign companies, which began in 1990-91 and went through several stages (1990/91-1992 March, July 1992-June 1993, June-November 1993, February-July 1994, July-September 1994).

– It is clear from the studied material that the commercial conditions agreed in Istanbul in July 1994 differed from the previous versions of the contract in a number of aspects. First of all, the real income of the parties was not measured from the financial point of view, as in the initial projects, but by the amount of actual oil that the participants would get. This minimized the impact of inflation in the 30-year period. On the other hand, changes were made in the schedule of distribution of revenue oil according to the interests of Azerbaijan. The free supply of associated gas to the country and a number of other innovations also took into account the economic and political interests of Azerbaijan.

– At the last stage of the negotiations held in Houston, USA, Azerbaijan managed to overcome geopolitical pressures related to the legal status of the Caspian Sea. With this, the preparation of the contract project based on the working mechanism expressing Azerbaijan's common interests with foreign companies was completed.

– The agreement, signed on September 20, 1994 and named "Deal of the Century", aims to bring large-scale investment and modern technologies to the economy of Azerbaijan, as well as a wide geographical area in which the participants are represented attracts attention from a spatial point of view. Cooperation with ten giant companies representing six foreign countries – USA, Great Britain, Norway, Russia, Türkiye and Saudi Arabia was a manifestation of

Azerbaijan's strategic choice and should serve to strengthen its international positions. Currently, both the main states of the region and the leading countries of the West and East are represented in the agreement.

– The agreement demonstrated the determination of the Republic of Azerbaijan to implement its political line as an independent state, as well as its intention to establish close relations with the world community. The study once again confirms that after the "Contract of the Century", the interest of foreign companies in the promising oil and gas structures in the Caspian Sea sector of Azerbaijan increased even more. With this, the process of formation and development of the national oil strategy gained momentum.

– Based on the results of the research, it can be said that the capital intensity of the signed contracts, the increasing number of huge foreign companies, the expansion of the geographical scale of the representatives, the consistent increase of SOCAR's participation in the contracts growth etc. clearly shows the main features of the oil strategy.

– Another aspect characterizing the oil strategy was that among the main participants of the agreements, the well-known multinational companies of the world took a leading position. This opened a favorable way for large investments under agreements and the application of advanced technologies in the fuel and energy sector of the country.

– The consistent implementation of the oil strategy also played an important role in strengthening Azerbaijan's international political positions. The fact that the presidents and heads of government of a number of countries (USA, Russia, France, Türkiye, etc.) pay special attention to the involvement of certain large companies in oil and gas agreements and their participation in the signing ceremony of the documents is the same in Azerbaijan,

created a more favorable ground for the development of political and economic relations with countries.<sup>98</sup>

– At the same time, the active participation of the leading states of the world and the region, as well as multinational companies with great potential in the joint development of hydrocarbon resources in Azerbaijan, is serious in reaching a mutual understanding on the issue of the legal status of the Caspian Sea, which has become an obstacle to cooperation. It encouraged taking steps and solving the problem.

– The study of the case shows that the President of Azerbaijan, Heydar Aliyev, kept the process under special control and regularly held meetings and received reports for the purpose of timely and consistent implementation of the contract. Strict presidential supervision allowed for the correct establishment of the consortium's activities, effective technical-organizational measures for timely prevention of delays, and the adoption of operative political decisions.

– Protection of the principles of mutually beneficial cooperation within the framework of the "Contract of the Century" with AIOC was one of the main directions of the political line of President Ilham Aliyev. On September 14, 2017, the ongoing cooperation in the conditions of mutual understanding and provision of common interests conditioned the extension of the term of the "Contract of the Century" until 2050. In 2018, three more contracts were signed with "BP" and "Equinor" ("Statoyl"). This confirms that Azerbaijan still has rich hydrocarbon resources and that the world's leading oil companies are interested in continuing long-term cooperation with SOCAR.

– The study proves that foreign investment in this field increased dynamically during the period of implementation of the

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<sup>98</sup>Mehdiyev, A. The impact of the oil strategy on the geopolitical position of Azerbaijan // 4th International New York Conference on Evolving Trends in Interdisciplinary Research and Practices, Full texts book, – Manhattan, New York City: – May 2-4, – 2021, – p.72-82.

projects. Since 1995, both the absolute volume of foreign investments directed to the oil and gas industry and the specific weight of foreign capital invested in the economy have increased year by year. Statistical data shows that by 2019, the amount of foreign investment invested in the oil and gas industry of Azerbaijan reached 85 billion dollars. This greatly exceeds the initial forecasts.

– Attracting large-scale investment made it possible to build modern drilling rigs, oil infrastructure based on new technologies, including a diversified export pipeline system. However, it should be noted that the selection of export routes and the construction of pipelines were carried out in the conditions of intense political struggle of various states with conflicting geopolitical interests in the region.<sup>99</sup>

Although the Northern route loses economically due to the high transit tariff and the low quality of oil, Azerbaijan preferred to use both routes for the sake of developing economic and political relations with Russia and maintaining geopolitical balance.

The commissioning of the Baku-Supsa pipeline laid the groundwork for the direct export of quality Azerbaijani oil under the "Azeri Light" brand to the international markets, and BTC served as an exemplary model in solving issues related to the design and operation of the main export pipeline.

– The study further strengthens the conclusion that the realization of the BTC route project, which is of great importance in the diversification of the export pipeline and the more reliable delivery of Azerbaijani oil to international markets, was accompanied by the elimination of serious economic, geopolitical, technical and financial problems. However, with his resolute position and purposeful activity in the field of realization of the item of the main export pipeline reflected in the "Contract of the Century", President Heydar Aliyev broke the resistance of the heads of foreign

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<sup>99</sup>Mehdiyev, Ə. Azərbaycanın neft ixrac boru kəməri marşrutlarının şaxələndirilməsi məsələsinə dair // ATLAS International Congress on Social Sciences 7, Proceeding book, – Budapest: – September 23-25, – 2020, – p.632-644.

companies showing financial problems, as well as geopolitical actors, he managed, despite the delay, to start practical works related to the laying of the pipeline to the port of Ceyhan in Türkiye. Thanks to the efforts of President Ilham Aliyev, who continued this line in the following period, the construction of BTC was successfully completed.

– As it can be seen, the path that started with the "Contract of the Century" laid the foundation for mutually beneficial and systematic cooperation between Azerbaijan and foreign companies in the field of exploitation of rich hydrocarbon resources in the Caspian Sea. This successful partnership, which was developed on the basis of the contracts signed after that, led to the creation of new conceptual ideas, including the Shah Deniz-2, TANAP and TAP projects with great potential. Thus, with the start of production in the "Shah Deniz" gas field and commissioning of the Baku-Tbilisi-Erzurum pipeline, the foundation of Azerbaijan's transformation into a gas exporting country was laid. With this, Azerbaijan made a significant contribution not only to the strengthening of its energy security, but also to the strengthening of energy security of Georgia and Türkiye, and to the deepening of regional cooperation.

– The study of the subject shows that Azerbaijan, resolutely protecting its economic and geopolitical interests, took a new initiative in cooperation with Türkiye in 2011-2012. The countries that agreed on the TANAP project started its construction three years later - in 2015. Thus, a new project - "Southern Gas Corridor" began to take shape. This pipeline, launched in 2018, serves to strengthen the economic cooperation and energy security of Azerbaijan, Georgia, Türkiye, Greece, Albania, Italy and the Balkan countries, as well as to strengthen Azerbaijan's position in the European energy markets.

– Taking into account the tested experience of foreign countries and the need to solve its own real problems, Azerbaijan established the State Oil Fund, which is based on the principles of serving the common interests of today's and future generations.

Based on the in-depth study of the annual reports of SOFAZ, it can be said that the institution, which focuses on the function of collecting funds, also solves the current problems of the country, especially the social and household issues of refugees and internally displaced persons. actively participates. Besides, BTC, Baku-Tbilisi-Kars railway, Oguz-Gabala-Baku water pipeline, "Southern gas corridor", education of young people in foreign countries, etc. continuous and purposeful activity in the field of financing of strategic infrastructure projects and social programs played a great role in the political, social-economic and humanitarian development of Azerbaijan. Its significant contribution to the fulfillment of current tasks confirms the justification of the creation and operation of the Fund.<sup>100</sup>

Thus, the "Contract of the Century", which laid the foundation of the national oil strategy, and other agreements implemented within the framework of effective cooperation with foreign oil companies, not only gave a serious impetus to the revival and development of the oil and gas industry, as well as the social development of Azerbaijan created a favorable ground for its economic growth and strengthening of its political independence, opened wide prospects for taking its place as a full-fledged member of the world community, for regional cooperation and security, and for restoring territorial integrity by putting an end to Armenia's 30-year occupation in the Homeland War. However, in the implementation of Azerbaijan's oil strategy, serious geopolitical and geoeconomic obstacles, acute political and economic problems in the country should be eliminated, the successes gained and rich experience should be deeply analyzed, and the results should be used for more efficient construction of activities in this field.

First of all, it should be considered necessary to continue mutually beneficial cooperation with foreign oil and gas companies,

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<sup>100</sup>Мехтиев, А. Азербайджанская модель накопительных фондов // – Москва: Современная наука: актуальные проблемы теории и практики, Серия Экономика и право, – 2018. №111, – с.78-82.

taking into account the interests of the country and the new challenges of the time.

Second, it is necessary to increase joint efforts with partner companies to adequately protect the economic and political interests of Azerbaijan in the countries represented by those investors and in the international world, in accordance with the conditions created for the full satisfaction of the financial and economic interests of foreign companies.

Third, more reliable protection of the labor and social rights of local citizens working in foreign oil and gas companies operating in Azerbaijan should be focused on. For this purpose, measures should be taken in the field of creating a trade union organization in those companies and providing the necessary conditions for their activity.

Fourth, as a result of the successfully implemented oil strategy, it would be useful to pay more attention to the strategic collection function of the State Oil Fund, which collects the revenues coming into the country as a gradual priority. Thus, the experience gained in the field of elimination of the global financial and economic crises that occurred in the past period and their consequences shows the importance of constantly improving the policy of protection, use and management of the acquired foreign exchange reserves.

Fifth, the prospective interests of the country once again bring to the fore the need to strengthen the superior development line of the non-oil sector. In particular, stimulating the opening of enterprises of the world's high-tech companies in the country will promote the more effective use of the potential of young people studying abroad, the formation of qualified personnel that meet modern requirements, and economic stability in general. Only by achieving continuous progress in this area, it is possible to maximally reduce the economy's dependence on oil revenues and move to a more stable development path, and secure the necessary part of

foreign exchange reserves collected from hydrocarbon resources for future generations.

Sixth, effective cooperation with foreign investors in the reconstruction and development of the oil and gas industry, the solution of the socio-economic problems of the country, the strengthening of the defense capability and international positions for the sake of restoring the territorial integrity of Azerbaijan with a purposeful oil policy demonstrated an exemplary model of partnership and activity that contributed not only to its own progress, but also to ensuring security and stability in the region and promoting mutually beneficial relations. Studying and presenting this experience based on a constructive energy policy that benefits all participants can have a positive effect on the formation of cooperative relations in the international world.

Finally, and seventhly, taking into account that Baku, as the center of the oil industry, has played a significant role in the socio-economic development of Azerbaijan and the region from the late 19th century to the present, in strengthening its political and strategic importance, in gaining international recognition, and in contributing to the global economy, it would be appropriate to officially declare September 15th—the day of liberation of the city from the SR, Menshevik, and Dashnak armed forces, a turning point in the fate of both the country and its capital—as “Baku City Day”. This decision opened up new opportunities for the enrichment of the social, political and cultural life of the city, and for wider promotion in the world.

**The main scientific-theoretical provisions of the  
dissertation are reflected in the following published works of the  
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