

UDC 327

CHRONOLOGICAL ANALYSIS OF AZERBAIJAN-ISRAEL ENERGY COOPERATION

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This comprehensive analysis traces the historical evolution of the Azerbaijan-Israel economic partnership, offering insights into its strategic collaboration spanning the defense industry, energy trade, and diversified economic sectors. Commencing in the 1990s, the alliance witnessed pivotal investments and expanded beyond conventional sectors, notably into agriculture. Key events, such as the Azerbaijan-Israel agricultural fair in 2006 and the signing of significant agreements, underscored the commitment to fostering economic ties. The economic landscape, influenced by external factors like oil prices, demonstrated its intricacies, with trade volumes surging in 2008 but contracting in 2016. The article concludes by highlighting the positive trajectory of Azerbaijan-Israel trade relations, underscored by increased trade volumes in early 2023 and ongoing collaborations across diverse sectors. The multifaceted collaboration embodies not just a transactional engagement but a strategic partnership, poised for mutual prosperity on both regional and global scales.

Keywords: Azerbaijan, Israel, economic relations, energy cooperation, energy policy, chronological analysis

Introduction

The relationship between Azerbaijan and Israel has evolved into a multifaceted collaboration, with energy cooperation emerging as a pivotal dimension. This article undertakes a chronological analysis of the Azerbaijan-Israel energy collaboration, tracing its development from the early stages to the present. The exploration aims to provide insights into the strategic shifts, key milestones, and thematic areas that have shaped the energy partnership between these two nations.

The primary purpose of this study is to unravel the chronological trajectory of energy cooperation between Azerbaijan and Israel. By delving into historical developments, diplomatic engagements, and economic dynamics, the aim is to discern patterns, driving forces, and notable events that have influenced the evolution of their energy collaboration.

The scientific novelty of this study lies in its chronological analysis, offering a detailed and structured exploration of the Azerbaijan-Israel energy collaboration over time. By elucidating the historical context, the study contributes to

a more profound comprehension of the strategic decisions, geopolitical considerations, and economic imperatives that have driven energy cooperation between these two nations. The chronological lens provides a unique perspective, enabling the identification of patterns, shifts, and key turning points in their collaborative journey, which, in turn, enhances our understanding of the broader energy dynamics in the region.

General situation of Azerbaijan-Israel economic relations

The foundational tenets underpinning the economic rapport between Azerbaijan and Israel are predicated upon a confluence of interests, notably in the realms of defense industry and energy trade. Israel's regional policies have exhibited a multifaceted character, encapsulating both diplomatic overtures and economic entanglements. Azerbaijan, in turn, has manifested a deliberate inclination toward collaboration with Israel as a strategic imperative aimed at diversifying its economic affiliations.

The inception of commercial ties between Azerbaijan and Israel promptly ensued upon the

establishment of diplomatic relations. A watershed moment materialized in 1994 when the Israeli telecommunications entity 'Bazeq' assumed a substantial role in Azerbaijan's communications sector, thereby marking the inaugural Israeli investment in the Azerbaijani domain. Subsequently, the joint venture Bakcell emerged in collaboration with the Azerbaijani Ministry of Communications and the Israeli GTIB company. The incursion of Israeli food companies into the Azerbaijani market commenced in 1995, while the year 2000 witnessed the entry of Madcon System Ltd., an Israeli firm specializing in advanced technology for the oil and natural gas industries [6].

The period spanning 1997 to 2004 witnessed a noteworthy surge in export volume from Azerbaijan to Israel, escalating from a modest 2 million dollars to a robust 323 million dollars. By the interval between 2000 and 2005, Israel had ascended to the position of Azerbaijan's fifth-largest trading partner. In 2000, Israeli Deputy Foreign Minister Victor Harel, during his visit to Azerbaijan, underscored the imperative of enhancing economic ties and engaged in discussions with key Azerbaijani counterparts, including the general manager of the national oil company and the undersecretary of Economic Planning. President Aliyev advocated the establishment of an economic committee to elevate bilateral economic relations to ministerial levels. Notably, in 2000, Israel's exports to Azerbaijan amounted to 10 million dollars [9].

By 2005, the bilateral trade volume had burgeoned to 205 million dollars, reaching a pinnacle of over 3.5 billion dollars in 2008, concomitant with the full operationalization of the oil pipeline. The dynamic trajectory of trade volume, however, is contingent upon the vicissitudes of oil prices, as evidenced by a contraction to 679 million dollars in 2016, according to available data [6].

Israeli corporations have expanded their investment purview in Azerbaijan, notably delving into the agricultural sector. The Israeli government, in a supportive gesture, provided technical expertise and facilitated the export of

irrigation systems to Azerbaijan. A significant milestone in this collaborative venture transpired on February 21, 2006, with the staging of an Azerbaijan-Israel agricultural fair in Guba, a locale with a significant Jewish population in Azerbaijan. The Israeli ambassador to Azerbaijan actively participated in this event, which convened businessmen from both nations. Discourse at the forum centered on the incorporation of technology in production processes, the implementation of irrigation systems, and pertinent agricultural planning considerations. Renowned Israeli companies such as Netafim, Gardens, Fabren, and Tahal showcased their contributions at the fair [7].

In February 2007, a pivotal agreement titled 'On the Protection and Promotion of Investments' was inked between Azerbaijan and Israel. Subsequently, the Azerbaijan-Israel Construction Fair unfolded in Baku in 2009, drawing the participation of six Israeli companies. The infrastructural revamping of the Baku-Shamakhi-Yevlakh highway was executed by Israeli construction entities, namely 'Binui' and 'Shiku,' thereby solidifying their investments in Azerbaijan. By the close of 2009, Israel's cumulative investment volume in Azerbaijan had burgeoned to an impressive 4 billion dollars [12].

In the realm of trade, the preeminence in Israel's export portfolio to Azerbaijan resides in communication products, machinery and electronic equipment, and metal products. Conversely, Azerbaijan primarily exports oil and petroleum products to Israel. Noteworthy statistics from 2011 indicate that 67 Israeli companies engaged in exporting goods to Azerbaijan. However, by 2016, the operative landscape witnessed a reduction to 37 Israeli companies operating in diverse sectors within Azerbaijan, spanning technology, tourism, pharmaceuticals, and agriculture [14].

Analysis of historical development dynamics of economic relations

In tracing the historical contours of the Azerbaijan-Israel economic partnership from its nascent stages in the 1990s to the present day, a compelling narrative of strategic collaboration

emerges. Initially anchored in defense industry and energy trade, this alliance has undergone a remarkable evolution, weaving a tapestry of economic interdependence and diversification. The early years witnessed pivotal investments, with Israel's 'Bazeq' marking its entry into Azerbaijan in 1994, setting the stage for a robust economic engagement. However, it was the strategic vision of both nations that propelled the relationship beyond conventional sectors. The agricultural sector, in particular, became a focal point, with Israel offering technical expertise and exporting irrigation systems to Azerbaijan. The significance of this collaboration was underscored by events such as the Azerbaijan-Israel agricultural fair in 2006, where key players like Netafim, Gardens, Fabren, and Tahal showcased their contributions. The signing of the 'On the Protection and Promotion of Investments' agreement in 2007 reflected a commitment to fostering economic ties, a commitment further solidified by collaborative events like the Azerbaijan-Israel Construction Fair in 2009. Israeli construction companies, Binui and Shiku, stepped in, making substantial investments that contributed to a notable increase in Israel's overall investment volume in Azerbaijan. The economic landscape, however, demonstrated its susceptibility to external factors, notably oil prices. The operationalization of the oil pipeline saw trade volumes surge, exceeding 3.5 billion dollars in 2008. Yet, the subsequent contraction to 679 million dollars in 2016 underscored the intricacies of this partnership, heavily influenced by global economic dynamics. Beyond the quantitative metrics, the economic partnership transcended traditional sectors, encompassing technology, tourism, pharmaceuticals, and agriculture.

The convening of the inaugural meeting of the Joint Commission between the Government of the Republic of Azerbaijan and the Government of the State of Israel in Jerusalem on May 15-16, 2018, marked a significant catalyst for the augmentation of bilateral relations between the two nations. Subsequent to this pivotal event, several consequential documents were executed, exemplified by agreements such as

"On cooperation in the field of agriculture between the Government of the Republic of Azerbaijan and the Government of the State of Israel" and "On the elimination of double taxation and prevention of tax evasion between the Republic of Azerbaijan and the State of Israel in relation to income taxes." These formal accords played a pivotal role in fortifying the foundations of economic collaboration [11].

Noteworthy is the endorsement of a total of 12 bilateral cooperation documents between the Republic of Azerbaijan and Israel, spanning diverse fields. This expanded economic cooperation has naturally translated into a corresponding upswing in trade turnover between the two nations. The Israel-Azerbaijan Chamber of Commerce and Industry has played a pivotal role in catalyzing this dynamic surge in economic and commercial activities. Emphatically, the Chamber's focal areas of collaboration encompass pivotal domains such as information technologies, telecommunications, and cyber security, attesting to the contemporary relevance and adaptability of the partnership [5].

During the initial two months of 2023, the trade volume between Azerbaijan and Israel reached 334.1 million dollars, indicating a noteworthy increase of 26.36 percent compared to the corresponding period in the preceding year. Israel's contribution to Azerbaijan's overall commodity turnover amounted to 4.66 percent during this period [4].

Azerbaijan-Israel energy partnership within the framework of international and regional energy projects

In July 2022, a collaborative investment accord was formalized between an Azerbaijani investment company and OurCrowd, a prominent global crowdfunding capital platform based in Israel. Subsequently, in February of the following year, the Ministry of Economy of the Republic of Azerbaijan disclosed the initiation of inaugural investments amounting to 1 million dollars in the startup venture "LARGIX," specializing in the production of industrial products [13].

It is noteworthy that OurCrowd, established in 2013, stands as an Israeli venture invest-

ment enterprise and ranks among the world's foremost crowdfunding platforms for securities. The company specializes in directing investments towards startup enterprises engaged in diverse sectors, including artificial intelligence, technology, transportation, energy, healthcare, and security. Operating as an investment platform, OurCrowd facilitates the engagement of both individual investors and institutions in funding startups, early-stage companies, and venture funds. Jonathan Medved, the founder and CEO of OurCrowd, is a recognized authority in the realm of high technology and serves as a prominent venture investor in Israel [8].

Energy collaboration stands as a cornerstone in the successful maturation of relations between Azerbaijan and Israel. Israel, reliant on imports for a significant portion of its oil demand, satisfies approximately one-third of this requirement through imports from Azerbaijan. The State Oil Company of Azerbaijan (SOCAR), leveraging its extensive expertise in the oil and gas sector, is poised to substantially contribute to the advancement of Israel's energy industry. Notably, Israel is contemplating utilizing Azerbaijan's pipeline infrastructure for the unprecedented endeavor of transporting its gas to Europe, thereby signaling a transformative step in their energy collaboration. The envisaged utilization of the Trans Anatolian Natural Gas Pipeline (TANAP) project for this purpose is anticipated to elevate energy cooperation between the two nations to a heightened level and fortify the trilateral relationship involving Turkey [10].

The trilateral dynamic holds strategic implications that are not viewed favorably by adversaries of Azerbaijan. Additionally, cooperation in the realm of "green energy" emerges as a pivotal focus, reflecting a shared commitment to environmentally sustainable practices. Israel, possessing considerable expertise in renewable energy, has expressed a willingness to actively participate in green energy projects, including those in the Karabakh region and other parts of Azerbaijan.

The contours of enhanced cooperation were delineated during the Azerbaijan-Israel business forum convened in Baku on April 19,

2023. The identified priority sectors for collaboration encompass energy, trade, industry, agriculture, innovations, infrastructure, pharmaceuticals, and tourism. The event, orchestrated by the Azerbaijan Export and Investment Promotion Agency (AZPROMO), drew the participation of companies spanning diverse domains such as energy, finance, logistics, water management, and the chemical industry. This collaborative forum underscores the multifaceted nature of Azerbaijan-Israel relations, signaling a shared commitment to exploring and capitalizing on diverse avenues for mutual benefit [2].

Azerbaijan hosted the Baku Energy Week from June 1-3, 2022, marking a prominent confluence of events constituting the most esteemed oil and energy consortium in the Caspian region. The occasion seamlessly integrated the 27th Caspian Oil and Gas International Exhibition, the 10th anniversary of the Caspian International Energy and Renewable Energy Exhibition, and the Baku Energy Forum. With a global participation of 250 companies representing 31 countries, the exhibitions unfolded in Baku, culminating in a concluding session held in Shusha, Azerbaijan's cultural capital [13].

Azerbaijan currently fulfills 40% of the State of Israel's energy requirements, and in light of the Ukraine crisis, Israeli officials are actively exploring avenues to augment their oil and gas procurement from Azerbaijan. This strategic objective featured prominently on the agenda during a recent visit by Israeli Finance Minister Avigdor Lieberman to Azerbaijan.

In a diplomatic context, Israeli Ambassador to Azerbaijan George Deek expressed Israel's aspiration for its companies to engage in renewable energy projects in Azerbaijan, leveraging Israel's global leadership in green energy technology. He told Trend that 10-15 companies had applied through the embassy to be part of projects in Karabakh, *"Even higher number of companies from Israel have applied directly, not through the embassy. I assume that we're talking about tens of companies that are applying for various projects ranging from building smart cities, to green energy, agriculture, building a hospital, spa treatment center. There are*

various projects on the table and not all of them go through the embassy [1].

Joseph McMonigle, the Secretary-General of the International Energy Forum, asserted that Baku Energy Week, serving as a global platform, convenes key stakeholders during a period of substantial challenges in the energy sector. Against the backdrop of the Ukraine and Russia crisis, numerous countries are grappling with meeting their energy demands, and Baku is posited as a promising solution to address the prevailing global energy crisis. Azerbaijan's Energy Minister Parviz Shahbazov highlighted the potential of the Karabakh region for the Azerbaijani energy sector [1]: *"Shusha, which has been a source of spiritual energy throughout history, is already becoming a Green Energy Zone. Another confirmation of this is the choice of Shusha today as a place for signing the document on cooperation on four-thousand-megawatt wind and solar power projects."*

Conclusion

In conclusion, the multifaceted collaboration between Azerbaijan and Israel, spanning investments, energy, and technology, reflects a robust and dynamic partnership. The signing of a collaborative investment agreement between an Azerbaijani investment company and OurCrowd, a global crowdfunding platform, exemplifies the commitment to fostering innovation and entrepreneurship. The engagement in renewable energy projects, as well as the exploration of new avenues for energy cooperation, positions both nations as significant players in addressing global energy challenges.

Azerbaijan's hosting of the Baku Energy Week, a prestigious gathering in the Caspian region, underscores its pivotal role in the energy sector. The forum not only serves as a platform for showcasing technological advancements but also as a catalyst for international cooperation, as evidenced by the participation of numerous countries and the discussions on diverse energy-related projects.

The International Energy Forum's recognition of Baku Energy Week as a global platform highlights Azerbaijan's potential in add-

ressing the challenges faced by nations worldwide in meeting their energy needs. The emphasis on the Karabakh region as a Green Energy Zone and the exploration of exporting green energy to Europe through the Caspian Sea underscore Azerbaijan's strategic vision for sustainable and inclusive energy development.

In essence, the collaborative efforts between Azerbaijan and Israel in the realms of investment, energy, and technology exemplify a forward-looking and mutually beneficial relationship, poised to make significant contributions on both regional and global scales.

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