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ECONOMIC SOVEREIGNTY AS A CONSTITUTING ELEMENT OF STATE SOVEREIGNTY: A THEORETICAL AND METHODOLOGICAL ANALYSIS OF THE AZERBAIJANI EXPERIENCE

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Abstract. The paper examines economic sovereignty as a fundamental element of state sovereignty. The theoretical and methodological analysis reveals that economic sovereignty is not equal to autarky (self-sufficiency), but represents the ability to defend itself especially in the sphere of foreign exchange transactions and financial infrastructure, while its constitutive role is emphasized. On the one hand, it functions as a form of economic autonomy; on the other hand, it serves as a mechanism for ensuring the real functioning of state sovereignty. This constitutes a prerequisite for the survival of modern states facing the risk of stagnation due to dependence on international payment systems and the possible blocking of assets (sanctions). In the context of globalization, the strengthening of digital assets and legal protection mechanisms, influence the transformation of approaches: from the concept of “non-intervention” to the concept of “resilience” and the adaptability of the national economy to external shocks. Accordingly, economic sovereignty today, it can be argued that is determined not only by the availability of resources, but also by the possession of critical technologies and control over key production points. The transition from the “sovereignty of possession” to the “sovereignty of managing technological processes,” with the predominance of national law over international law in matters of economic regulation, determines the state’s ability to establish its own “rules of the game” despite external sanctions pressure.

Keywords: economic sovereignty, state sovereignty, political and legal analysis, state self-defense, financial security.

**İQTİSADI SUVERENLİK DÖVLƏT SUVERENLİYİNİN TƏRKİB ELEMENTİ KİMİ:
AZƏRBAYCAN TƏCRÜBƏSİNİN NƏZƏRİ VƏ METODOLOJİ TƏHLİLİ**

Liliya Mirzəzadə

Xülasə. Məqalədə iqtisadi suverenlik dövlət müstəqilliyinin fundamental elementi kimi araşdırılır. Nəzəri və metodoloji təhlillər nəticəsində məlum olmuşdur ki, iqtisadi suverenlik heç də həmişə autarkiyaya (özünütəminatməyə) bərabər deyil, çünki iqtisadi suverenlik valyuta əməliyyatları və maliyyə infrastrukturunu sahəsində özünümüdafiə qabiliyyətini təmsil edir və onun təsisçi rolu bir tərəfdən iqtisadi muxtariyyət forması, digər tərəfdən isə dövlət suverenliyinin real fəaliyyətini təmin edən mexanizm kimi vurğulanır. Bu, beynəlxalq ödəniş sistemlərindən asılılıq və aktivlərin mümkün bloklanması (sanksiyalar) səbəbindən durğunluq riskləri ilə üzləşən müasir dövlətlərin yaşaması üçün ilkin şərtidir. Rəqəmsal aktivlərin və hüquqi müdafiə mexanizmlərinin güclənməsi ilə qloballaşma şəraiti yanaşmaların transformasiyasına, yəni “müdaxilə etməmək” anlayışından “davamlılıq” anlayışına keçidə və milli iqtisadiyyatın xarici şoklara uyğunlaşma qabiliyyətinə təsir göstərir. Bu gün iqtisadi suverenlik yalnız resursların mövcudluğu ilə deyil, həm də kritik texnologiyalara sahib olmaq və əsas istehsal nöqtələri üzərində nəzarətlə müəyyən edilir. İqtisadi tənzimləmə məsələlərində milli hüququn beynəlxalq hüquqdan üstünlüyü ilə "sahiblik suverenliyindən" "texnoloji proseslərin idarə olunması suverenliyindən" keçid, xarici sanksiyaların təzyiqinə baxmayaraq, dövlətin öz "oyun qaydalarını" müəyyən etmək qabiliyyətini müəyyən edir.

Açar sözlər: iqtisadi suverenlik, dövlət suverenliyi, siyasi və hüquqi təhlil, dövlətin özünümüdafiəsi, maliyyə təhlükəsizliyi.

ЭКОНОМИЧЕСКИЙ СУВЕРЕНИТЕТ КАК КОНСТИТУИРУЮЩИЙ ЭЛЕМЕНТ ГОСУДАРСТВЕННОГО СУВЕРЕНИТЕТА: ТЕОРЕТИКО-МЕТОДОЛОГИЧЕСКИЙ АНАЛИЗ АЗЕРБАЙДЖАНСКОГО ОПЫТА

Лилия Мирзаде

Резюме. В работе исследуется экономический суверенитет как основной элемент государственной независимости. На основе проведённого теоретико-методологического анализа, было выявлено, что экономический суверенитет не равен автаркии (самообеспечению), а представляет собой способность государства к самозащите, особенно в сфере валютных операций и финансовой инфраструктуры. Подчёркивается его конституирующая роль: с одной стороны, как формы хозяйственной автономии, с другой, – как механизм обеспечения реального функционирования государственного суверенитета. И, это – обязательное условие выживания современных государств, сталкивающихся с рисками стагнации из-за зависимости от международных платёжных систем и возможной блокировки активов (санкций). Условия глобализации, усиление роли цифровых активов и развитие правовых механизмов защиты трансформируют подходы - от концепции «невмешательства» к концепции «устойчивости» (resilience) и адаптивности национальной экономики к внешним шокам. Таким образом, по нашему мнению, экономический суверенитет в современных условиях определяется не только наличием ресурсов, но и обладанием критически важными технологиями, а также контролем над ключевыми производственными и финансовыми узлами. Переход от «суверенитета обладания» к «суверенитету управления технологическими процессами» с преобладанием национального права над международным, в вопросах регулирования экономики, обуславливает способность государства формировать собственные «правила игры» даже в условиях внешнего санкционного давления.

Ключевые слова: экономический суверенитет, государственный суверенитет, политико-правовой анализ, самозащита государства, финансовая безопасность

Introduction: Theoretical Approaches to Understanding Economic Sovereignty

The economy is a fundamental pillar of the constitutional status of the state; it defines property rights, regulates market activity and creates the basis for socio-economic rights. By providing the material foundation for democracy, legal stability, and the protection of citizens' interests, the economy ensures a balance between economic freedom and social justice. Therefore, the issue of economic sovereignty as a constituent element of state sovereignty in the era of globalization is particularly relevant and requires a thorough theoretical and methodological analysis, as examined in this paper.

This research focuses on the relationship between economic and state sovereignty, as well as the role of economic sovereignty in the structure of state sovereignty, including:

- the concept of economic sovereignty, its essential characteristics and criteria;
- the mechanisms for implementing economic sovereignty within the constitutional and legal framework;
- the impact of globalization, international obligations, and integration processes on the economic sovereignty of the state;
- the relationship between economic sovereignty with other elements of state sovereignty in legal and economic science;
- the role of economic sovereignty in ensuring national security and sustainable development of the state.

The research methodology includes a combination of general scientific and specialized analytical methods:

- dialectical method, which allows for the dynamic examination of economic sovereignty and the identification of contradictions and development trends;
- historical and logical method, which allow for tracing the evolution of the concept of economic sovereignty and its role in state sovereignty;
- a systems approach, which allows for the examination of economic sovereignty as an element of the system of state sovereignty and the analysis of its interrelations with other elements;
- comparative analysis, which enables a comparison of approaches to understanding economic sovereignty in different countries, in international law, and across various academic schools;
- analysis of legal norms and court decisions, enabling the study of constitutional and legislative courts that relate to economic sovereignty;
- theoretical and methodological analysis, which examines various concepts and approaches to understanding sovereignty in legal and economic science, identifying their strengths and weaknesses;
- a critical analysis that evaluates existing mechanisms for ensuring economic sovereignty and identifies their shortcomings and contradictions.

Since the topic is at the intersection of jurisprudence, economics, political science and other sciences, it should be noted that the scientific base represents a solid foundation addressing issues such as the definition of economic sovereignty and its relationship with other forms of sovereignty, threats to it, mechanisms for ensuring it and its role in the context of globalization and sanctions pressure. The Visegrad Journal of Human Rights of the V4 group (Poland, Czech Republic, Slovakia, Hungary) noted that the economic system in the constitutional dimension plays an important role in the organization of economic relations (9). The World Bank emphasized that the structure of the government influences economic indicators [10]. The Scientific Library emphasized that the constitution forms the basis of a market economy (11; 215-225).

French economist and director of the CEMIEHESS Center for Industrialization Studies, Jacques Sapir emphasized the importance of state sovereignty from an economic perspective, although he noted the possibility of conflicts in this area. Sapir distinguished three groups of conflicts related to economic sovereignty: between firms and states; between groups of firms and groups of states; and between different population groups. Sapir particularly emphasized the difficulties arising from the activities of transnational corporations, which give rise to conflicts between domestic and international law (30). In the context of globalization, he sees a threat to economic sovereignty due to growing dependence on external factors, but at the same time emphasizes the need for strategic planning on the part of the state, especially during times of crisis.

Norwegian economist Erik Reinert believes that the most successful countries were those where the government not only collaborated with business, but held leading positions and "consciously made innovation profitable." He contrasts his concept with neoliberal doctrines and emphasizes the role of the state in stimulating innovation and industrialization (13). In his view, Henry Ford, Stalin, the authors of the Marshall Plan, Japanese business strategists, and European social democrats demonstrated a correct understanding of the importance of innovation and industrialization.

In his essay "Where Our Sovereignty Begins," German author Benedikt Herles notes that energy supply and technology are key areas influencing economic sovereignty. He points to Europe's dependence on imported technologies (e.g., batteries, Taiwanese chips) and US cloud systems. Herles, however, believes that not all value chains should necessarily be "Europeanized," and that "blunt protectionism is not the solution" (31; 44). Herles emphasizes the importance of free trade within an open society with a market economy.

Studies on the European Union examine how integration affects the national and economic sovereignty of member states. For example, it is noted that in the EU, sovereignty is divided between levels of government, forming a multi-level system. The transfer of some normative functions to supranational institutions (the European Commission, the European Central Bank, etc.) limits the ability of states to control certain aspects of their economies (22; 45). The concept of "strategic sovereignty", proposed by Macron, implies the EU's ability to independently determine its interests and priorities in the areas of security, economics, and technology, minimizing the influence of external actors (for example, the United States) (4). However, this does not negate the fact that member states still retain their sovereignty, albeit within the framework of policies agreed upon at the EU level.

Many European scholars note that globalization weakens states' control over their economies due to transnational corporations, international financial markets, and standards. The balance between the need to participate in global processes and maintaining national economic sovereignty is debated. Some researchers emphasize the importance of an active role for the state in strategic planning, while others highlight the risks of excessive protectionism.

In the EU context, the impact of transferring certain powers to supranational authorities on states' ability to make economic decisions is discussed. Scholars analyze the conflicts between the economic interests of states, corporations, and the impact of these conflicts on sovereignty.

Savanovich A. points out that the process of globalization leads to a de-sovereignization, since the classical model of nation-state sovereignty is compromised by the spread of capital, with states becoming increasingly incapable of resisting the power of transnational corporations, both in terms of capturing resources and in terms of imposing political decisions. This fact raises the question of the subject of sovereignty: do governments represent the interests of citizens - as the source of sovereignty, transfer executive power to the government, or should governments adapt to the interests of anonymous centers of economic power? If the latter is true, then we are clearly faced with a new type of sovereignty: economic sovereignty (14).

Tiranovsky J. in the article "Economic Aspects of Sovereignty and Self-Determination in Contemporary International Law" In the context of growing economic interdependence of states, the subordination of many states to strict requirements for membership in international financial organizations (IBRD, IMF) and the spread of integration processes in Western Europe to Central Europe, issues of "economic sovereignty" or even "monetary sovereignty" are increasingly being discussed not only in economic and political reports and literature, but also in works on international law. In this regard, it may also be noted that some important international documents, while laying down the fundamental principles of international law, formulate them in such a way that the same components are repeated in both the principles of the sovereign equality of states and the principles of self-determination of peoples. This may lead not only to the mutual complementarity of both principles, but also to their mutual competitiveness (18; 245-264).

In his work "Economic Sovereignty under Sanctions and the International Division of Labor: Interrelationships and Contradictions," Azerbaijani-Russian scholar N.S. Askerov concluded that economic sovereignty offers comparative advantages. He writes that under sanctions, ensuring economic sovereignty requires utilizing a country's significant domestic potential and transforming its participation in the international division of labor.

The relationship between economic and state sovereignty in the research of foreign scholars is examined through the prism of globalization, European integration, and the role of states in regulating the economy. In domestic Azerbaijani research, issues of economic sovereignty, independence, and the national economic model are actively developed by academic circles and experts. Key authors include Ruslan Abiyev (21; 209), who specializes in legal aspects, in particular, the relationship between economic sovereignty and international law; and Academician Ziyad Samadzade, who examines the problem of structural restructuring of the Azerbaijani economy (26).

Overall, the study a comprehensive theoretical analysis of the conceptual framework, methodological approaches and practical aspects of the relationship between economic and state sovereignty.

Economic sovereignty as an indicator of state sovereignty

In a globalized world, independent fiscal and monetary policies, along with the management of one's own resources without external interference, are critical for economic stability, which serves as a primary indicator of state sovereignty. If a state possesses economic sovereignty, it is able to support social programs, ensure technological development, finance defense, and maintain political agency. In the traditional understanding, based on Jean Bodin, is model the ability of a country to control its economy, make independent decisions, form economic policy, manage resources and regulate economic activity within its borders, is manifested in the core components of economic sovereignty, its "vertical dispersion" (23; 689-695), as many scholars argue, the world is now in a post-sovereign era. This means that the state's sovereign power extends beyond its traditional territorial boundaries, particularly in the vertical dimension of airspace and outer space, and that this power is shared with

non-state actors or global institutions. This concept contrasts with the traditional Westphalian model, which views sovereignty as absolute and geographically limited to the state's territory and its immediate airspace. This raises the question of whether the traditional Westphalian concept of state sovereignty has become outdated.

Proponents of the concept of a post-sovereign era concept justify their position by citing the erosion of absolute state sovereignty. They attribute this to the influence of international law, global economic pressure, and the strengthening of international organizations (20; 61-90). They also cite the interdependence of international actors during global challenges such as climate change, financial crises, and pandemics, which forces states to cede some decision-making authority to supranational structures and legal systems. In regions such as the European Union, national courts are increasingly recognizing the supremacy of supranational law, such as the Court of Justice of the EU, over national legal instruments. The spread of global digital technologies and the power of transnational tech corporations are challenging state control over populations and the economy (17; 28), undermining traditional sovereignty. Opponents of the post-sovereign era argue that sovereignty remains a powerful, though controversial, concept, despite its adaptation to new realities. They emphasize the fact that nations assert their sovereign rights, demonstrating the continued struggle of peoples for sovereignty. The persistence of the concept of sovereignty is an argument used by its proponents in their discourses with its opponents. They emphasize the historically contingent nature of sovereignty, which never the less remains deeply rooted in national identity and political and economic discourse, offering a foundation for understanding power.

Sovereignty can be either contested or fluid. In the former case, rather than disappearing, it is reasserted or "reclaimed" in response to globalization, leading to phenomena such as the rise of sovereigntization and populism. In the latter case, it takes new forms, such as "food sovereignty". According to Bepress (a firm owned by RELX Group that provides software and services to support scholarly communication, including the Digital Commons platform), challenges global market systems. When analyzing the economic situation in individual countries, some authors identify multiple different types of sovereignty. However, it should be borne in mind that these factors, by their nature, do not guarantee the absolute power of the legitimate government on the territory of the country and, therefore, represent it as "graded sovereignty" (12; 850-873), (8; 59, 72-81) or "fragmented sovereignty" (16; 63,20-30).

The given definitions of the essence of sovereignty made it possible to develop an understanding and application of state sovereignty, both in the domestic and international context.

The Impact of Globalization on State and Economic Sovereignty: The Role of International Organizations

In the 20th and 21st centuries, traditional notions of state sovereignty have been challenged by globalization, the emergence of international organizations, and the growing interconnectedness of states. Some scholars argue that these processes have led to a decline in state sovereignty, while others affirm the inviolability of the nation state's position as a central player in international relations. Contemporary discussions of sovereignty often include debates not only on the balance between state autonomy and international cooperation but also on the impact of international institutions on economic sovereignty and its self-determination. Researchers' rethinking of economic sovereignty is linked to the activities of key international economic institutions: the World Trade Organization (WTO), the World Bank, and the International Monetary Fund (IMF). Their influence can be both positive and negative. International institutions can support countries' economic development during crises, modernization of infrastructure, updating the legal framework, combat poverty, or implement advanced technologies and investments. However, they can also limit economic sovereignty through membership in organizations (WTO, EU, EAEU), requiring compliance with common rules, standards, and obligations. Restrictions arise when receiving IMF loans (structural reforms), complying with court decisions, international sanctions, or as part of globalization, which reduces decision-making autonomy.

The positive effects of the WTO and IMF include:

I. Support for economic development. International institutions, particularly development banks and financial institutions, are called upon to provide countries with financial and technical support for

economic development, infrastructure projects, improving education and healthcare systems, and implementing new technologies. The interaction of international legal entities with the WTO and IMF facilitates trade procedures through a range of mechanisms related to regulation, standardization, financial support, and economic policy coordination.

The WTO sets trade rules and works to reduce trade barriers, which ensures access to larger markets and economic growth. (19) The WTO develops and implements numerous external trade agreements that establish common rules for all member countries. Key principles are non-discrimination (most-favored-nation treatment) and transparency. This means that countries gradually apply the same conditions to all WTO members, and their trade rules must be public and understandable. Uniform rules reduce uncertainty and simplify trade planning.

The WTO promotes trade liberalization through negotiations on tariff reductions, the elimination of quantitative restrictions, and other non-tariff trade agreements. This directly reduces the costs of exports and imports, expanding access for goods and services to international markets. The WTO implements trade facilitation initiatives, including standardizing documentation, eliminating bureaucratic barriers, and creating centralized databases. This expedites customs clearance and reduces administrative costs. The WTO's dispute settlement mechanism allows countries to resolve trade disputes through established procedures rather than through political or military means. This reduces the risk of trade relations being disrupted due to disagreements. The WTO provides developing countries with certain concessions and technical assistance, helping them integrate into the global system and facilitate access to international markets.

The IMF helps maintain the stability of national currencies and facilitate foreign exchange transactions between countries. (5) This reduces exchange rate risks for trade and simplifies calculations and forecasting of costs and revenues for exporters and importers. The IMF provides loans to countries facing balance of payments problems, helping them stabilize their economies and continue trading.

The Fund's policy recommendations (e.g., on taxation and monetary policy) can improve the investment climate and terms of trade.

The IMF provides technical assistance to countries in customs administration and other trade-related matters. This includes training, developing standards, and implementing effective practices. The IMF collaborates with the WTO and the World Bank to promote coherence in global economic policy. These joint efforts aim to resolve regulatory discrepancies and support countries in implementing structural reforms that facilitate trade.

The combined influence of the WTO and the IMF enhances the impact of their individual actions. For example, the IMF can provide financial support to countries implementing reforms consistent with their WTO commitments. Joint technical assistance programs (for example, for least developed countries) aim to strengthen the institutional foundations of trade and improve its efficiency.

Thus, interaction with the WTO and the IMF creates a more predictable, stable and less costly environment for international trade through the harmonization of rules, the reduction of barriers, financial support and technical assistance.

2. Technology Transfer. International organizations support the exchange of technology and knowledge between countries. This is especially important for developing countries, as they can increase productivity by gaining access to new technologies.

However, countries' cooperation with international institutions can sometimes lead to a loss of decision-making authority. For example, economic reforms recommended by international financial institutions can limit the ability of national governments to pursue independent policies, while loans provided by these bodies can increase their debt burden, which could jeopardize the economies of these countries for future generations. International institutions can also lead to increased global inequality. For example, trade agreements can lead to the exploitation of some countries by other entities with stronger economies. The influence of international institutions on economic sovereignty, on the one hand, promotes economic development, but on the other, it limits sovereignty and increases inequality. Therefore, when cooperating with international institutions, countries focus on avoiding dependence an economy that is designed to protect their national interests. In theoretical discourse, raising the question of the significance of state economic sovereignty and the influence of international law on it is a logical consequence of violations: economically developed countries, pursuing their own interests, seek control

over resources that do not belong to them, which creates an economic threat to the resources of less developed countries and hinders sustainable development.

Let's consider this using the example of the European Union (EU), which was created at the initiative of France and Germany, whose foreign ministers, Robert Schuman and Chancellor Konrad Adenauer, developed the key "Schuman Plan." Schuman justified his proposal to create a Franco-German "European Coal and Steel Community" by citing the possibility of transitioning to peaceful cooperation and economic recovery after World War II. This plan was announced on May 9, 1950. It marked the beginning of European integration and led to the signing of the Treaty of Paris establishing the ECSC for a period of 50 years (24; 720); (25; 81-117). Thus, on 18 April 1951, six countries: Belgium, West Germany, Italy, Luxembourg, the Netherlands and France signed the Treaty of Paris establishing the European Coal and Steel Community (ECSC), which became the first step towards the EU, and on 9 May 1950, Robert Schuman presented the Schuman Declaration, which marked the beginning of this process and opened the way to European integration. Since then, 9 May has been celebrated as Europe Day (although it is not entirely clear to what extent the concept of sovereignty is applicable to the European Union: after all, it is usually associated with the adjectives "state" or "national", whereas the EU is neither a state nor a nation). The founder of the classical European theory of sovereignty, the 16th-century French philosopher and jurist Jean Bodin, would likely be quite surprised to learn that five centuries after his theory was developed, it was being applied to interstate unification. The basis for this was the Maastricht Treaty, which entered into force on November 1, 1993. This process was the result of years of integration, beginning in the 1950s with the creation of the European Coal and Steel Community (1951) and then the European Economic Community (EEC) (1957), both of which were aimed at economic cooperation. The Maastricht Treaty, signed in 1992, expanded this integration to include political and legal aspects, leading to the creation of the current EU. For clarity, let's present the formation and development of the EU in table form:

Year	Motivation and Action	Proposal and purpose
1950	The beginning of European integration	The creation of the Franco-German "European Coal and Steel Community" with the aim of peaceful cooperation and economic recovery after World War II
1951	The first step toward integration: 6 countries: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands became signatories of the Paris Treaty.	The creation of the European Coal and Steel Community
1957	Belgium, France, Germany, Italy, Luxembourg and the Netherlands signed the Treaty of Rome, establishing the European Economic Community (EEC) and the European Atomic Energy Community	Creation of a common market for the free movement of goods, services, capital and labor.
1992	Signing of the Maastricht Treaty	Deepening economic and political integration, the creation of the European Union, and measures to establish an economic and monetary union (including a single currency, the euro)
1993	Entry into force of the Maastricht Treaty	The official beginning of the European Union
1995	Entry into force of the Schengen Agreement	Abolition of border controls between participating countries
2009	Entry into force of the Treaty of Lisbon	Reform of the EU structure and the abolition of the previous “three pillars” system.

Since 1973, the number of EU members has grown, rising from 6 to 27 by 2013. (7) The largest enlargement took place in 2004, when 10 countries joined. The main goals of this enlargement were the reunification of Europe, strengthening democracy and the rule of law, stimulating economic growth and prosperity, and expanding the single market.

Thus, the new EU structure included: France, Austria, Belgium, Bulgaria, Hungary, Germany, Greece, Denmark, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Finland, Croatia, the Czech Republic, Sweden, and Estonia. By the second half of 2025, it became clear that the European Union, in addition to a deep internal crisis, had problems in foreign policy track, including in the South Caucasus.

The EU's failure in the South Caucasus is attributed to geopolitical competition between Russia and Turkey, the inability to offer a convincing alternative to Russian influence, the selectivity and inconsistency of its policies (for example, sanctions against Azerbaijan in the context of the EU's own energy dependence on Russia), as well as the influence of the Armenian lobby and a historical legacy that distorts the perception of the interests of regional players. It failed to become an effective peacekeeper, and its role was often relegated to the periphery, while Russia strengthened its position through military, political, and energy ties. The EU failed to offer regional players (Azerbaijan, Armenia) a more attractive and reliable alternative than that provided by Moscow. The imposition of sanctions against Azerbaijan for the "shadow" re-export of Russian oil appeared selective, while European countries (Greece, Cyprus) themselves continued to trade with Russia, and Germany depended on its energy resources. The EU failed to stop the re-export of European electronics to Russia via Armenia, undermining its own sanctions policy. The EU found itself on the periphery of the Armenian-Azerbaijani conflict resolution process, failing to become a dominant mediator within the Minsk Group (OSCE Minsk Group), unlike Russia, which played a dominant role. Furthermore, a strong Armenian lobby in Western countries, including France and the United States, influenced EU policymaking, complicating the balancing act. And after Russia launched a full-scale invasion of Ukraine, the EU's attention and resources were redirected, weakening its capabilities in the South Caucasus. Historical legacies also played a role. For example, France's colonial past influences perceptions of the region, creating difficulties for the EU in building equal partnerships.

Overall, the EU has failed to formulate a unified, coherent and sufficiently influential strategy for the South Caucasus, finding itself playing catch-up with Russia and Turkey (28; 47-56).

Major "mistakes" and criticism:

1. **Pro-Armenian course:** Many observers, especially in Azerbaijan, see in the EU's actions (especially in relation to Armenia as a "springboard" for strengthening its influence) a clear bias in favor of Armenia, which alienates Baku and Tbilisi, as reported by Vestnik Kavkaza and YouTube.

2. **Ignoring realism:** The EU often underestimates the influence of Russia and Turkey in the region and tries to promote its values (democracy, human rights, rule of law) without offering adequate economic and political alternatives.

3. **Ineffectiveness of initiatives:** Despite the "EU Strategy for the South Caucasus", many EU initiatives aimed at "democratization" have not led to sustainable results and often "fade away".

4. **Weak economic incentives:** The EU cannot always offer the same attractive economic conditions and investments as other global players.

5. **Eastern Partnership (EaP):** This project, designed to bring the region closer to the EU, also faced difficulties and did not always live up to expectations, especially when countries were looking for a balance between East and West.

6. **Perception of interference:** The actions of European politicians are sometimes perceived as an attempt to interfere in internal affairs and impose a "European way", which causes resistance from local elites and the population, as mentioned in the materials of Vestnik Kavkaza.

As a result, the countries of the South Caucasus strive for a multi-vector approach, and EU policy is not always perceived as a strategic partner, but rather as a source of pressure. (28) This is due to a number of factors related to the state and economic sovereignty of the region:

1. A balance of external influences. The region's states consciously avoid being tied rigidly to a single center of power, striving to maintain freedom of maneuver in relations with the EU, Russia, Turkey, China, and other key players. A multi-vector approach allows for:

- a) minimizing the risks of political and economic dependence;
- b) leveraging competitive offers from various partners;
- c) defending their own national interests in dialogue with external actors.

2. Economic independence. The countries of the South Caucasus are seeking alternative markets, investment sources, and technological solutions, not limited by European programs. This is reflected in: the development of transit corridors (for example, the Middle Corridor across the Caspian Sea); the deepening of trade and economic ties with neighboring regions (Turkey, Iran, Central Asia); and the attraction of Chinese investment in infrastructure and energy.

3. Political sovereignty. In the context of geopolitical rivalry, states in the region emphasize: the right to independently choose development models; a reluctance to accept external conditions perceived as infringing on national interests; and a desire to resolve conflicts (including frozen ones) within their own framework, without external dictates.

4. Limitations of European integration mechanisms. EU programs (for example, the Eastern Partnership) are often perceived as imposing standards without taking into account local specifics; the condition for receiving aid requires structural reforms that can be socially painful; an instrument of influence that is not always associated with adequate economic benefits.

5. Alternative integration formats. Countries in the region actively participate in other associations (CIS, BSEC, Turkic structures) that: offer more flexible cooperation mechanisms; do not require ideological unification; and focus on practical economic benefits.

As a result, multi-vector policy is becoming more than just a tactical tactic for the South Caucasus, but a strategy for preserving sovereignty. It allows for: avoiding unilateral dependence; diversifying risks; and building partnerships based on mutual benefit rather than external pressure.

Under these circumstances, the EU faces the need to revise its approaches – from the directive promotion of its standards to a more flexible dialogue that takes into account the specificities and priorities of the countries in the region.

Institutional and financial mechanisms for ensuring sovereignty

Institutional and financial mechanisms for ensuring sovereignty are a set of measures aimed at strengthening public administration, macroeconomic stability, control over resources, and attracting investment. In the case of the Republic of Azerbaijan, this mechanism is implemented through constitutional norms, the activities of key institutions, monetary policy, and strategic planning. The Constitution of Azerbaijan enshrines the principles of state sovereignty, including the unity of the people, the protection of territorial integrity, and independence in decision-making. The President of the Republic embodies the unity of the people and ensures the continuity of statehood (Article 8 of the Constitution). (1) Parliament (Milli Majlis) exercises control over the budget, which is a key element of the system of checks and balances.

Azerbaijan operates under a presidential republic with elements of a semi-presidential system. The president is the head of state and exercises executive power, and the Cabinet of Ministers is accountable to him. The judicial system, including the Constitutional, Supreme, and appellate courts, oversees the activities of state bodies.

In 1997, the Security Council was established to assist the President in exercising his constitutional powers to protect the rights and freedoms of citizens and safeguard the country's independence and territorial integrity. It consists of key ministers and officials.

The Ministry of Finance develops and implements financial policy, prepares the draft state budget, and oversees spending. The Central Bank is responsible for monetary policy, the stability of the national currency, and the banking system.

After regaining independence, Azerbaijan underwent large-scale privatization, which contributed to the development of the private sector. As of 2023, its share of GDP was approximately 83.5% and employment was approximately 78%. This reduces the economy's dependence on state control and increases its resilience.

Fiscal policy in the Republic of Azerbaijan is defined by the Constitution and the Budget Code. The objectives of budget policy include revenue generation, rational resource allocation, public debt

management, and ensuring a budget surplus or deficit. The Milli Majlis approves the state budget and oversees its execution.

The Central Bank plays a special role in the monetary policy of the Republic of Azerbaijan. It ensures price stability and promotes the stability of the banking system. Its functions include the following:

1. Determination and implementation of monetary and exchange rate policy;
2. Regulation of money circulation and exchange rates;
3. Management of gold and foreign exchange reserves;
4. Licensing and supervision of banking and insurance activities;
5. Regulation of the securities market.

In 2025, Azerbaijan's foreign exchange reserves reached a record high of \$83.6 billion, 17 times exceeding the country's external debt (3) and creating a safety net that protects the economy from external shocks.

The State Oil Fund (SOFAZ) plays a key role in managing oil sector revenues. Its resources are used to finance infrastructure projects, diversify the economy, and ensure stability during periods of oil price fluctuations. Azerbaijan is actively working to improve the investment climate. Among the measures:

1. Concluding agreements on the promotion and mutual protection of investments with 30 countries;
2. Creating free economic zones (the Alat SEZ) to attract local and foreign investors;
3. Providing benefits and incentives to investors, including tax holidays and subsidies.

Azerbaijan is implementing measures to develop the securities, credit, and foreign exchange markets. The Baku Stock Exchange is the main financial institution in this area. Azerbaijan's financial policy is aimed at maintaining a balance between external borrowing and debt management to avoid excessive dependence on foreign creditors.

Additional measures include strategic planning, economic diversification, and cooperation with international organizations.

Thanks to strategic planning, the country is implementing long-term programs, such as the Strategic Roadmap for the National Economy to 2030, which provide for economic diversification and the development of the non-oil sector, investment attraction, and increased competitiveness. Economic diversification emphasizes the development of transit corridors (such as the Middle Corridor), support for small and medium-sized businesses, the agro-industrial complex, and other non-oil sectors. Azerbaijan cooperates with international organizations and is a member of the IMF, the World Bank, and other international financial institutions, allowing it to draw on expertise and resources while maintaining independence in key decision-making.

Thus, the combination of institutional mechanisms of public administration, control over financial flows, active use of natural resources and strategic planning allow Azerbaijan to maintain economic and state sovereignty.

The impact of international markets and financial systems on the economic sovereignty of the state

A state's economic sovereignty is significantly influenced by its ability to independently determine and implement economic policy, control resources, and protect national interests. This influence is exerted by international markets and financial systems. This influence manifests itself through trade, investment, and dependence on global financial institutions, currency systems, and geopolitical factors. [5] In Azerbaijan, these aspects are particularly significant due to the economy's resource-based nature and global challenges. International trade, in turn, can both expand a country's opportunities and create risks. On the one hand, access to new markets, technologies, and investments facilitates economic growth. On the other hand, excessive dependence on the export of certain goods (such as raw materials) makes the economy vulnerable to fluctuations in global prices. [4] Oil accounts for a significant share of Azerbaijan's exports. This factor limits its economic sovereignty.

Transnational corporations (TNCs) play a dual role: they bring investment and technology; however their activities are not always aligned with the national interests of host countries. TNCs can

dominate markets, displacing local producers, and influence economic policy through lobbying or threats of capital flight. The WTO, the EU, and regional associations require countries to adhere to common rules and standards, which can limit their sovereignty in certain areas. [16] For example, WTO membership entails trade policy concessions, while participation in currency unions involves ceding some monetary sovereignty. Azerbaijan is a WTO observer but manages to maintain considerable flexibility in its trade policy, though this limits access to some markets. International financial institutions, such as the IMF and the World Bank, exert pressure on borrowing countries (they demand certain reforms in exchange for loans). This reduces independence in economic policy choices. In the case of Azerbaijan, loans from international organizations were not strictly tied to recommendations on economic management in the past, and their advice was advisory in nature. Dependence on global financial markets makes the economy vulnerable to external shocks. For example, capital outflows during crises or changes in the global financial system can destabilize the national economy. It is worth noting that financial sovereignty is influenced by the currency system and the role of the dollar. The dollar's dominance in international payments gives the United States tools to influence other countries through control of the SWIFT payment system or asset freezes. Attempts at de-dollarization and the transition to national currencies (for example, the yuan in China) are linked to the desire to reduce this dependence. Cryptocurrencies and the digitalization of finance create new risks. The issuance of cryptocurrencies by individuals or companies without the control of a central bank undermines traditional monetary sovereignty [14].

According to 2008 data, Azerbaijan had achieved a significant level of economic sovereignty. The republic independently shaped its fiscal, monetary, structural, and investment policies, controlling all levers of economic regulation without significant influence from other states, intergovernmental associations, or international organizations [2]. However, Azerbaijan remained vulnerable to oil export dependence. This limited economic diversification and made the country vulnerable to fluctuations in global energy prices. In recent years, the Azerbaijani authorities have been implementing programs to diversify the economy, stimulate non-oil exports, and develop agriculture and manufacturing. However, Azerbaijan remained vulnerable dependence on oil exports. This limited economic diversification and made it vulnerable to fluctuations in global energy prices. In recent years, the Azerbaijani authorities have implemented programs to diversify the economy, stimulate non-oil exports, and develop agriculture and manufacturing [2].

The conflict with Armenia also created additional barriers to development.

Participation in international projects such as the North-South International Transport Corridor and integration initiatives can expand and strengthen dependence on external factors.

As we can see, international markets and financial systems simultaneously create threats to states' economic sovereignty. Positive aspects include access to investment, technology, and new markets. Negative consequences include dependence on the export of certain goods, the influence of transnational corporations, restrictions associated with membership in international organizations, and vulnerability to external financial markets. For Azerbaijan, maintaining and strengthening economic sovereignty requires continued economic diversification, reducing dependence on the oil sector, developing non-oil sectors, and increasing resilience to external shocks. Balancing participation in global processes and maintaining control over key economic decisions is crucial.

Technological sovereignty as a new frontier for economic autonomy

In the context of current geopolitical tensions, growing global uncertainty, and intensifying systemic competition, technological sovereignty is acquiring particular importance for states and supranational organizations. It empowers a country to independently develop, produce, and control key technologies and infrastructure necessary for economic independence, national security, and global competitiveness. Technological sovereignty is becoming a new frontier for economic autonomy in a context of geopolitical tensions, sanctions, and competition for technological leadership. It also encompasses control over key technologies across the entire value chain, from research and development to production and deployment, and their use in response to demand. This capability is essential for ensuring international competitiveness, strategic autonomy in security policy, and societal resilience. Accordingly, technological sovereignty should not be viewed as an isolated issue, limited to

research or industry. It envisions maintaining international cooperation, but based on national priorities and relying on reliable technological ties with friendly countries. Technological sovereignty encompasses more than just access to technology. It identifies, develops, and utilizes new key technologies, ensures control over critical digital infrastructure, and fosters societal capacity to implement them, thereby strengthening economic autonomy, national security, and international competitiveness.

However, technological sovereignty can only fully manifest itself if new technologies are socially accepted and widely seen as beneficial. Global events such as the COVID-19 pandemic, trade disputes, the semiconductor crisis, and geopolitical tensions have exposed the vulnerability of internationally interconnected innovation systems and global value chains. While efficiency gains through the international division of labor have long dominated the paradigm of economic optimization, sustainability and technological autonomy are now becoming increasingly important. However, there remains a lack of coherence and effective enforcement at the pan-European level. All economic actors are called upon to adequately consider the requirements of sustainable supply chains in their strategic business decisions. Appropriate policy incentive structures must be developed within the political governance framework and for key sectors.

In the Republic of Azerbaijan, the idea of technological sovereignty dates back to the work of National Leader Heydar Aliyev, who laid the foundations of the oil strategy. This strategy included attracting foreign investment and technology for the development of oil fields, diversifying oil transportation routes, and effectively managing oil revenues. President Ilham Aliyev is currently implementing these ideas of technological sovereignty. Azerbaijan continues to actively introduce new technologies in the oil and gas sector, using geosteering methods and drilling horizontal wells with inclinations of up to 90 degrees.

Three high-tech factories have been established in the Sumgait Industrial Park: the Baku Cardboard and Box Factory, the Azermirror mirror sheet factory, and the Nun polypropylene sheet and laminated bag manufacturing plant. (2) This will help meet domestic demand and increase exports, reducing dependence on imports.

Azerbaijan has approved an Artificial Intelligence Strategy for 2025-2028, which envisages the creation of national AI platforms to coordinate initiatives in this area. Collaboration with American companies (Apple, Google, Meta, Open AI, NVIDIA, Intel, AMD, IBM, Amazon Web Services) and Stanford University are aimed at training personnel, developing startups, and strengthening digital infrastructure. Azerbaijan is implementing comprehensive measures to protect information systems, ICT networks, and automated control systems that comprise its critical information infrastructure.

It's worth noting that Azerbaijan is realizing technological sovereignty through projects and initiatives aimed at reducing dependence on external factors, developing key technologies, and strengthening the national economy. The state actively supports the implementation of these projects. Total investments in technology projects exceed 37 million azn. New production facilities help meet domestic demand and increase exports, reducing dependence on imports.

Conclusion

The theoretical and methodological analysis conducted allows us to assert that economic sovereignty is a constituent element of state sovereignty, as it ensures:

- the material and financial basis for the independence of the state's political will;
- the ability to realize national interests in the context of global interdependence;
- resilience to external shocks and the possibility of strategic development planning.

Using the example of the Republic of Azerbaijan, the article demonstrates how a combination of institutional, resource, and technological factors enables the development of economic sovereignty without reducing it to autarky, as Azerbaijan demonstrates a balance between economic openness and the protection of national interests. The country actively attracts foreign investment while maintaining control over strategic assets.

The prospects for strengthening Azerbaijan's economic sovereignty lie in the following areas:

- 1) Deepening technological independence (especially in IT and energy);

- 2) Expanding international cooperation with friendly countries;
- 3) Improving the regulatory environment to stimulate innovation;
- 4) Developing human capital as a key resource for competitiveness.

Thus, Azerbaijan's experience confirms that economic sovereignty is not a static state, but a process that requires systematic efforts to strengthen the state's institutional, financial, and technological foundations. Its implementation allows Azerbaijan not only to maintain political independence but also to build its potential for long-term sustainable development in the face of global instability.

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